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EX PARTE OR LATE FILED



June 11, 1999

Memorandum of Ex Parte Communication

Ms. Magalie Salas
Secretary
Federal Communications Commission
445 12th Street, S. W.
Street Lobby – TW A235
Washington, D.C. 20554

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JUN 11 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Ms. Salas:

Re: *CC Docket No. 96 - 45 – Universal Service*
CC Docket No. 97 - 160 – Forward-Looking Mechanism for Non-Rural LECs

On Thursday, June 10, 1999, Mr. David Hostetter, Ms. Marian Dyer and the undersigned representing SBC met with Ms. Linda Kinney, Advisor to Commissioner Ness, regarding Universal Service and discussed the above-listed proceedings. A service-specific analysis of the costs and revenues impacting the provision of universal service in Texas was presented. The attached materials representing service-specific costs and revenues by exchange location were distributed during the meeting.

We are submitting the original and one copy of this Memorandum to the Secretary in accordance with Section 1.1206 of the Commission's rules. Please stamp and return the provided copy to confirm your receipt. Please contact me at (202) 326-8889 should you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jay Bennett".

cc (w/o attachments): L. Kinney

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SBC Universal Service Study
Residence Monthly Per Line Revenues and Operating Costs

Report 1
December 14, 1998

Texas	Universal Service					Vertical Service		Intrastate Toll		Intrastate Switched Access		Interstate Switched Access		
	Residence Lines	Revenue		Cost								Switching and Transport		CC Revenue
		Intrastate	Interstate	Intrastate	Interstate	Revenue	Cost	Revenue	Cost	Revenue	Cost			
Wire Center	A	B	C	D	E	F	G	H	I	J	K	L	M	N
Houston - 1	62,287	\$14.01	\$3.68	\$18.37	\$3.96	\$7.16	\$0.58	\$1.23	\$0.76	\$7.30	\$0.98	\$3.97	\$1.91	\$1.49
Dallas - 1	34,852	\$15.03	\$3.61	\$21.18	\$4.74	\$6.42	\$0.58	\$1.55	\$0.88	\$5.65	\$1.13	\$4.43	\$2.22	\$1.70
Dallas - 2	40,967	\$16.06	\$3.64	\$21.22	\$4.89	\$7.59	\$0.58	\$1.77	\$0.89	\$4.78	\$1.14	\$3.07	\$2.24	\$1.18
Houston - 2	12,458	\$13.43	\$3.46	\$33.04	\$5.55	\$8.77	\$0.58	\$2.23	\$1.31	\$7.07	\$1.69	\$3.66	\$3.31	\$1.40
San Antonio - 1	21,501	\$12.51	\$3.28	\$35.86	\$6.01	\$7.67	\$0.58	\$0.97	\$1.42	\$12.47	\$1.83	\$4.23	\$3.59	\$1.18
Austin	32,307	\$10.71	\$3.47	\$37.49	\$9.46	\$5.22	\$0.58	\$0.87	\$1.59	\$8.30	\$2.05	\$3.11	\$4.02	\$1.19
Rural - 1	1,737	\$11.58	\$3.42	\$41.24	\$11.24	\$6.28	\$0.58	\$2.36	\$1.78	\$7.97	\$2.29	\$2.13	\$4.50	\$0.75
San Antonio - 2	3,678	\$13.22	\$3.41	\$49.25	\$11.94	\$4.04	\$0.58	\$1.54	\$2.08	\$4.08	\$2.67	\$1.80	\$5.24	\$0.64
Rural - 2	213	\$16.92	\$3.73	\$118.75	\$34.57	\$3.64	\$0.58	\$5.91	\$5.21	\$7.99	\$6.70	\$5.25	\$13.13	\$1.62
Rural - 3	90	\$15.18	\$3.16	\$181.21	\$54.93	\$3.16	\$0.58	\$10.79	\$8.02	\$11.56	\$10.32	\$2.95	\$20.23	\$0.94

This information has been obtained from confidential company data and has been formatted to maintain its confidentiality.

SBC Universal Service Study
Residence Annual Revenues and Operating Costs

Report 2
December 14, 1998

Texas	Universal Service				Vertical Service		Intrastate Toll		Intrastate Switched Access		Interstate Switched Access		
	Revenue		Cost										
	Intrastate	Interstate	Intrastate	Interstate							Revenue	Cost	Revenue
					Report 1: A*B*12	Report 1: A*C*12	Report 1: A*D*12	Report 1: A*E*12	Report 1: A*F*12	Report 1: A*G*12			
Wire Center	A	B	C	D	E	F	G	H	I	J	K	L	M
Houston - 1	\$10,471,838	\$2,751,274	\$13,733,397	\$2,958,958	\$5,351,560	\$436,939	\$922,204	\$566,829	\$5,455,840	\$729,440	\$2,970,867	\$1,429,965	\$1,117,173
Dallas - 1	\$6,284,420	\$1,511,297	\$8,858,553	\$1,982,724	\$2,686,888	\$244,484	\$647,843	\$368,141	\$2,363,470	\$473,753	\$1,853,487	\$928,728	\$712,328
Dallas - 2	\$7,893,735	\$1,787,362	\$10,434,165	\$2,402,824	\$3,732,042	\$287,381	\$869,012	\$435,911	\$2,351,624	\$560,964	\$1,509,465	\$1,099,692	\$582,514
Houston - 2	\$2,007,612	\$516,575	\$4,939,082	\$829,960	\$1,311,722	\$87,392	\$333,066	\$195,902	\$1,056,705	\$252,102	\$547,816	\$494,210	\$209,157
San Antonio - 1	\$3,228,856	\$847,307	\$9,253,003	\$1,551,385	\$1,977,771	\$150,828	\$250,102	\$366,889	\$3,216,141	\$472,141	\$1,090,906	\$925,568	\$303,421
Austin	\$4,152,445	\$1,344,614	\$14,535,534	\$3,666,226	\$2,022,701	\$226,631	\$338,882	\$618,084	\$3,217,091	\$795,399	\$1,204,624	\$1,559,270	\$462,522
Rural - 1	\$241,364	\$71,382	\$859,567	\$234,298	\$130,954	\$12,185	\$49,245	\$37,145	\$166,157	\$47,801	\$44,382	\$93,707	\$15,637
San Antonio - 2	\$583,421	\$150,706	\$2,173,564	\$526,774	\$178,297	\$25,801	\$67,999	\$91,696	\$180,266	\$118,002	\$79,260	\$231,327	\$28,163
Rural - 2	\$43,242	\$9,533	\$303,526	\$88,364	\$9,299	\$1,494	\$15,114	\$13,308	\$20,433	\$17,125	\$13,422	\$33,572	\$4,143
Rural - 3	\$16,397	\$3,416	\$195,708	\$59,322	\$3,410	\$631	\$11,649	\$8,660	\$12,488	\$11,145	\$3,182	\$21,847	\$1,016
State Totals	\$1,029,809,191	\$246,588,065	\$1,988,220,329	\$449,764,132	\$473,136,097	\$40,716,219	\$155,178,865	\$82,787,560	\$485,233,000	\$106,537,579	\$211,185,162	\$208,852,112	\$76,752,507

This information has been obtained from confidential company data and has been formatted to maintain its confidentiality.

SBC Universal Service Study
Residence Monthly Per Line Operating Margin

Report 3
December 14, 1998

Texas	Residence Universal Service										Vertical Service Gross Margin per Line	Intrastate Toll Gross Margin per Line	Intrastate Switched Access Gross Margin per Line	Interstate Switching and Transport Margin per Line	Interstate CCL Revenue per Line	Total Residence Operating Margin per Line
	Residence Lines	Total Monthly Universal Service Cost/Revenue Calculations			Intrastate Monthly Universal Service Cost/Revenue Calculations			Interstate Monthly Universal Service Cost/Revenue Calculations								
		Average Cost per Line	Average Revenue per Line	Gross Margin per Line	Average Cost per Line	Average Revenue per Line	Intrastate Gross Margin per Line	Average Cost per Line	Average Revenue per Line	Interstate Gross Margin per Line						
		E + H	F + I	G - J	Report I: D	Report I: B	F - E	Report I: H	Report I: C	I - J						
Wire Center	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Houston - 1	62,287	\$22.33	\$17.69	(\$4.64)	\$ 18.37	\$ 14.01	(\$4.36)	\$ 3.96	\$ 3.68	(\$0.28)	\$ 6.58	\$0.48	\$6.32	\$2.06	\$ 1.49	\$12.29
Dallas - 1	34,852	\$25.92	\$18.64	(\$7.28)	\$ 21.18	\$ 15.03	(\$6.15)	\$ 4.74	\$ 3.61	(\$1.13)	\$ 5.84	\$0.67	\$4.52	\$2.21	\$ 1.70	\$7.66
Dallas - 2	40,967	\$26.11	\$19.69	(\$6.42)	\$ 21.22	\$ 16.06	(\$5.17)	\$ 4.89	\$ 3.64	(\$1.25)	\$ 7.01	\$0.88	\$3.64	\$0.83	\$ 1.18	\$7.13
Houston - 2	12,458	\$38.59	\$16.88	(\$21.71)	\$ 33.04	\$ 13.43	(\$19.61)	\$ 5.55	\$ 3.46	(\$2.10)	\$ 8.19	\$0.92	\$5.38	\$0.36	\$ 1.40	(\$5.46)
San Antonio - 1	21,501	\$41.88	\$15.80	(\$26.08)	\$ 35.86	\$ 12.51	(\$23.35)	\$ 6.01	\$ 3.28	(\$2.73)	\$ 7.08	(\$0.45)	\$10.64	\$0.64	\$ 1.18	(\$7.00)
Austin	32,307	\$46.95	\$14.18	(\$32.77)	\$ 37.49	\$ 10.71	(\$26.78)	\$ 9.46	\$ 3.47	(\$5.99)	\$ 4.63	(\$0.72)	\$6.25	(\$0.91)	\$ 1.19	(\$22.33)
Rural - 1	1,737	\$52.48	\$15.00	(\$37.47)	\$ 41.24	\$ 11.58	(\$29.66)	\$ 11.24	\$ 3.42	(\$7.82)	\$ 5.70	\$0.58	\$5.68	(\$2.37)	\$ 0.75	(\$27.13)
San Antonio - 2	3,678	\$61.18	\$16.63	(\$44.55)	\$ 49.25	\$ 13.22	(\$36.03)	\$ 11.94	\$ 3.41	(\$8.52)	\$ 3.46	(\$0.54)	\$1.41	(\$3.45)	\$ 0.64	(\$43.03)
Rural - 2	213	\$153.32	\$20.65	(\$132.67)	\$ 118.75	\$ 16.92	(\$101.83)	\$ 34.57	\$ 3.73	(\$30.84)	\$ 3.05	\$0.71	\$1.29	(\$7.88)	\$ 1.62	(\$133.88)
Rural - 3	90	\$236.14	\$18.34	(\$217.79)	\$ 181.21	\$ 15.18	(\$166.03)	\$ 54.93	\$ 3.16	(\$51.76)	\$ 2.57	\$2.77	\$1.24	(\$17.28)	\$ 0.94	(\$227.55)

This information has been obtained from confidential company data and has been formatted to maintain its confidentiality.

SBC Universal Service Study
Residence Annual Operating Margin

Report 4
December 14, 1998

Texas			Universal Service								
Wire Center	Residence Lines	Total Lines	Intrastate Gross Margin	Interstate Gross Margin	Total Universal Service Gross Margin	Vertical Service Gross Margin	Intrastate Toll Gross Margin	Intrastate Switched Access Gross Margin	Interstate Switching and Transport Margin	Interstate CCL Revenue	Total Residence Operating Margin
			A * (Report 3: G) * 12 months	A * (Report 3: J) * 12 months	A * (Report 3: D) * 12 months	A * (Report 3: K) * 12 months	A * (Report 3: I) * 12 months	A * (Report 3: M) * 12 months	A * (Report 3: N) * 12 months	Report 2: M	B + F + G + H + I + J
	A	B	C	D	E	F	G	H	I	J	K
Houston - 1	62,287	118,486	(\$3,261,559)	(\$207,685)	(\$3,469,244)	\$4,914,621	\$355,376	\$4,726,401	\$1,540,901	\$1,117,173	\$9,185,228
Dallas - 1	34,852	55,775	(\$2,574,134)	(\$471,428)	(\$3,045,561)	\$2,442,404	\$279,702	\$1,889,716	\$924,759	\$712,328	\$3,203,348
Dallas - 2	40,967	56,938	(\$2,540,430)	(\$615,462)	(\$3,155,892)	\$3,444,662	\$433,102	\$1,790,660	\$409,772	\$582,514	\$3,504,818
Houston - 2	12,458	20,056	(\$2,931,470)	(\$313,385)	(\$3,244,855)	\$1,224,330	\$137,164	\$804,603	\$53,606	\$209,157	(\$815,995)
San Antonio - 1	21,501	72,036	(\$6,024,147)	(\$704,079)	(\$6,728,226)	\$1,826,943	(\$116,787)	\$2,743,999	\$165,338	\$303,421	(\$1,805,311)
Austin	32,307	43,040	(\$10,383,089)	(\$2,321,612)	(\$12,704,701)	\$1,796,070	(\$279,202)	\$2,421,692	(\$354,646)	\$462,522	(\$8,658,265)
Rural - 1	1,737	2,223	(\$618,203)	(\$162,916)	(\$781,119)	\$118,769	\$12,100	\$118,356	(\$49,325)	\$15,637	(\$565,581)
San Antonio - 2	3,678	3,989	(\$1,590,143)	(\$376,068)	(\$1,966,211)	\$152,496	(\$23,698)	\$62,264	(\$152,066)	\$28,163	(\$1,899,051)
Rural - 2	213	249	(\$260,284)	(\$78,832)	(\$339,115)	\$7,804	\$1,807	\$3,307	(\$20,149)	\$4,143	(\$342,203)
Rural - 3	90	105	(\$179,312)	(\$55,906)	(\$235,218)	\$2,778	\$2,988	\$1,344	(\$18,665)	\$1,016	(\$245,757)
State Totals	5,804,225	8,719,326	(\$958,411,138)	(\$203,176,067)	(\$1,161,587,205)	\$432,419,878	\$72,391,305	\$378,695,422	\$2,333,050	\$76,752,507	(\$198,995,043)

This information has been obtained from confidential company data and has been formatted to maintain its confidentiality.

SBC Universal Service Study
Business Monthly Per Line Revenues and Operating Costs

Report 5
December 14, 1998

Texas	Universal Service					Vertical Service	Intrastate Toll	Intrastate Switched Access	Interstate Switched Access					
	Business Lines	Revenue		Cost					Switching and Transport					
		Intrastate	Interstate	Intrastate	Interstate				Revenue	Cost				
Wire Center	A	B	C	D	E	Revenue	Cost	Revenue	Cost	Revenue	Cost	Revenue	Cost	
Houston - 1	56,199	\$66.94	\$5.84	\$18.37	\$3.96	\$4.12	\$0.58	\$1.19	\$0.76	\$7.02	\$0.98	\$3.82	\$1.91	\$1.44
Dallas - 1	20,923	\$33.76	\$5.72	\$21.18	\$4.74	\$4.77	\$0.58	\$2.04	\$0.88	\$7.43	\$1.13	\$5.83	\$2.22	\$2.24
Dallas - 2	15,971	\$33.89	\$5.81	\$21.22	\$4.89	\$3.52	\$0.58	\$2.33	\$0.89	\$6.32	\$1.14	\$4.05	\$2.24	\$1.56
Houston - 2	7,598	\$47.15	\$5.78	\$33.04	\$5.55	\$3.88	\$0.58	\$0.89	\$1.31	\$2.81	\$1.69	\$1.46	\$3.31	\$0.56
San Antonio - 1	50,535	\$34.55	\$6.07	\$35.86	\$6.01	\$3.38	\$0.58	\$1.43	\$1.42	\$18.43	\$1.83	\$6.25	\$3.59	\$1.74
Austin	10,733	\$31.10	\$5.85	\$37.49	\$9.46	\$3.76	\$0.58	\$1.33	\$1.59	\$12.62	\$2.05	\$4.73	\$4.02	\$1.81
Rural - 1	486	\$22.68	\$6.11	\$41.24	\$11.24	\$2.01	\$0.58	\$2.77	\$1.78	\$9.33	\$2.29	\$2.49	\$4.50	\$0.88
San Antonio - 2	311	\$29.54	\$6.44	\$49.25	\$11.94	\$2.24	\$0.58	\$1.54	\$2.08	\$4.08	\$2.67	\$1.79	\$5.24	\$0.64
Rural - 2	36	\$53.58	\$7.01	\$118.75	\$34.57	\$6.14	\$0.58	\$2.27	\$5.21	\$3.07	\$6.70	\$2.02	\$13.13	\$0.62
Rural - 3	15	\$57.79	\$5.81	\$181.21	\$54.93	\$1.07	\$0.58	\$8.06	\$8.02	\$8.64	\$10.32	\$2.20	\$20.23	\$0.70

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SBC Universal Service Study
Business Annual Revenues and Operating Costs

Report 6
December 14, 1998

Texas	Universal Service				Vertical Service		Intrastate Toll		Intrastate Switched Access		Interstate Switched Access		
	Revenue		Cost								Switching and Transport		CCL Revenue
	Intrastate	Interstate	Intrastate	Interstate									
Wire Center	Report 5: A * B * 12	Report 5: A * C * 12	Report 5: A * D * 12	Report 5: A * E * 12	Report 5: A * F * 12	Report 5: A * G * 12	Report 5: A * H * 12	Report 5: A * I * 12	Report 5: A * J * 12	Report 5: A * K * 12	Report 5: A * L * 12	Report 5: A * M * 12	Report 5: A * N * 12
	A	B	C	D	E	F	G	H	I	J	K	L	M
Houston - 1	\$45,142,443	\$3,937,418	\$12,391,079	\$2,669,747	\$2,777,078	\$394,232	\$800,693	\$511,426	\$4,736,970	\$658,144	\$2,579,421	\$1,290,199	\$969,972
Dallas - 1	\$8,477,217	\$1,435,736	\$5,318,131	\$1,190,306	\$1,197,906	\$146,773	\$511,659	\$221,009	\$1,866,642	\$284,412	\$1,463,863	\$557,551	\$562,589
Dallas - 2	\$6,495,158	\$1,113,834	\$4,067,763	\$936,742	\$674,469	\$112,035	\$447,264	\$169,940	\$1,210,337	\$218,692	\$776,893	\$428,715	\$299,809
Houston - 2	\$4,298,525	\$527,069	\$3,012,293	\$506,184	\$353,920	\$53,299	\$80,821	\$119,478	\$256,419	\$153,754	\$132,932	\$301,413	\$50,754
San Antonio - 1	\$20,954,764	\$3,682,874	\$21,747,849	\$3,646,308	\$2,051,252	\$354,499	\$868,990	\$862,319	\$11,174,642	\$1,109,700	\$3,790,407	\$2,175,413	\$1,054,250
Austin	\$4,005,695	\$753,838	\$4,828,981	\$1,217,990	\$484,457	\$75,291	\$171,247	\$205,339	\$1,625,689	\$264,247	\$608,731	\$518,019	\$233,726
Rural - 1	\$132,251	\$35,614	\$240,501	\$65,555	\$11,743	\$3,409	\$16,131	\$10,393	\$54,427	\$13,374	\$14,538	\$26,219	\$5,122
San Antonio - 2	\$110,261	\$24,021	\$183,790	\$44,542	\$8,359	\$2,182	\$5,746	\$7,754	\$15,234	\$9,978	\$6,698	\$19,560	\$2,380
Rural - 2	\$23,148	\$3,030	\$51,300	\$14,935	\$2,653	\$253	\$981	\$2,249	\$1,326	\$2,894	\$871	\$5,674	\$269
Rural - 3	\$10,402	\$1,046	\$32,618	\$9,887	\$192	\$105	\$1,451	\$1,443	\$1,555	\$1,857	\$396	\$3,641	\$127
State Totals	\$1,235,053,331	\$207,483,107	\$993,942,580	\$209,937,634	\$121,670,220	\$20,449,223	\$83,350,455	\$40,880,616	\$322,655,788	\$52,608,409	\$142,500,979	\$103,131,472	\$50,262,285

This information has been obtained from confidential company data and has been formatted to maintain its confidentiality.

SBC Universal Service Study
Business Monthly Per Line Operating Margin

Report 7
December 14, 1998

Texas	Business Universal Service										Vertical Service Gross Margin per Line	Intrastate Toll Gross Margin per Line	Intrastate Switched Access Gross Margin per Line	Interstate Switching and Transport Margin per Line	Interstate CCL Revenue per Line	
	Business Lines	Total Monthly Universal Service Cost/Revenue Calculations			Intrastate Monthly Universal Service Cost/Revenue Calculations											
		Average Cost per Line	Average Revenue per Line	Gross Margin per Line	Average Cost per Line	Average Revenue per Line	Intrastate Gross Margin per Line									
		F + H	F + I	C - D	Report 5: D	Report 5: B	F - E									
Wire Center		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Houston - 1	56,199	\$22.33	\$72.78	\$50.44	\$ 18.37	\$ 66.94	\$48.56	\$ 3.96	\$ 5.84	\$1.88	\$ 3.53	\$0.43	\$6.05	\$1.91	\$ 1.44	\$63.80
Dallas - 1	20,923	\$25.92	\$39.48	\$13.56	\$ 21.18	\$ 33.76	\$12.58	\$ 4.74	\$ 5.72	\$0.98	\$ 4.19	\$1.16	\$6.30	\$3.61	\$ 2.24	\$31.06
Dallas - 2	15,971	\$26.11	\$39.70	\$13.59	\$ 21.22	\$ 33.89	\$12.67	\$ 4.89	\$ 5.81	\$0.92	\$ 2.93	\$1.45	\$5.17	\$1.82	\$ 1.56	\$26.53
Houston - 2	7,598	\$38.59	\$52.93	\$14.34	\$ 33.04	\$ 47.15	\$14.11	\$ 5.55	\$ 5.78	\$0.23	\$ 3.30	(\$0.42)	\$1.13	(\$1.85)	\$ 0.56	\$17.04
San Antonio - 1	50,535	\$41.88	\$40.63	(\$1.25)	\$ 35.86	\$ 34.55	(\$1.31)	\$ 6.01	\$ 6.07	\$0.06	\$ 2.80	\$0.01	\$16.60	\$2.66	\$ 1.74	\$22.56
Austin	10,733	\$46.95	\$36.95	(\$10.00)	\$ 37.49	\$ 31.10	(\$6.39)	\$ 9.46	\$ 5.85	(\$3.60)	\$ 3.18	(\$0.26)	\$10.57	\$0.70	\$ 1.81	\$6.01
Rural - 1	486	\$52.48	\$28.78	(\$23.70)	\$ 41.24	\$ 22.68	(\$18.56)	\$ 11.24	\$ 6.11	(\$5.13)	\$ 1.43	\$0.98	\$7.04	(\$2.00)	\$ 0.88	(\$15.37)
San Antonio - 2	311	\$61.18	\$35.98	(\$25.20)	\$ 49.25	\$ 29.54	(\$19.70)	\$ 11.94	\$ 6.44	(\$5.50)	\$ 1.66	(\$0.54)	\$1.41	(\$3.45)	\$ 0.64	(\$25.48)
Rural - 2	36	\$153.32	\$60.60	(\$92.73)	\$ 118.75	\$ 53.58	(\$65.17)	\$ 34.57	\$ 7.01	(\$27.56)	\$ 5.56	(\$2.94)	(\$3.63)	(\$11.12)	\$ 0.62	(\$104.23)
Rural - 3	15	\$236.14	\$63.60	(\$172.54)	\$ 181.21	\$ 57.79	(\$123.42)	\$ 54.93	\$ 5.81	(\$49.12)	\$ 0.48	\$0.04	(\$1.68)	(\$18.03)	\$ 0.70	(\$191.02)

This information has been obtained from confidential company data and has been formatted to maintain its confidentiality.

**SBC Universal Service Study
Business Annual Operating Margin**

**Report 8
December 14, 1998**

Texas			Universal Service								
Wire Center	Business Lines	Total Lines	Intrastate Switching Gross Margin	Intrastate Access Gross Margin	Interstate Switching and Transport Gross Margin	Vertical Service Gross Margin	Intrastate Toll Gross Margin	Intrastate Switched Access Gross Margin	Interstate Switching and Transport Margin	Interstate CCL Revenue	Other Revenue
			A * (Report 7: G) * 12 months	A * (Report 7: H) * 12 months	A * (Report 7: I) * 12 months	A * (Report 7: K) * 12 months	A * (Report 7: L) * 12 months	A * (Report 7: M) * 12 months	A * (Report 7: N) * 12 months	Report 6: M	Report 6: N
	A	B	C	D	E	F	G	H	I	J	K
Houston - 1	56,199	118,486	\$32,751,364	\$1,267,671	\$34,019,035	\$2,382,846	\$289,267	\$4,078,827	\$1,289,222	\$969,972	\$43,029,169
Dallas - 1	20,923	55,775	\$3,159,086	\$245,430	\$3,404,516	\$1,051,133	\$290,650	\$1,582,230	\$906,312	\$562,589	\$7,797,430
Dallas - 2	15,971	56,938	\$2,427,395	\$177,092	\$2,604,487	\$562,434	\$277,324	\$991,645	\$348,178	\$299,809	\$5,083,877
Houston - 2	7,598	20,056	\$1,286,232	\$20,885	\$1,307,117	\$300,621	(\$38,657)	\$102,665	(\$168,481)	\$50,754	\$1,554,018
San Antonio - 1	50,535	72,036	(\$793,085)	\$36,567	(\$756,519)	\$1,696,753	\$6,671	\$10,064,942	\$1,614,994	\$1,054,250	\$13,681,091
Austin	10,733	43,040	(\$823,286)	(\$464,152)	(\$1,287,438)	\$409,165	(\$34,092)	\$1,361,442	\$90,712	\$233,726	\$773,515
Rural - 1	486	2,223	(\$108,250)	(\$29,941)	(\$138,191)	\$8,334	\$5,738	\$41,052	(\$11,681)	\$5,122	(\$89,625)
San Antonio - 2	311	3,989	(\$73,529)	(\$20,522)	(\$94,050)	\$6,177	(\$2,007)	\$5,256	(\$12,862)	\$2,380	(\$95,107)
Rural - 2	36	249	(\$28,152)	(\$11,905)	(\$40,057)	\$2,400	(\$1,268)	(\$1,568)	(\$4,803)	\$269	(\$45,027)
Rural - 3	15	105	(\$22,216)	(\$8,841)	(\$31,058)	\$87	\$7	(\$302)	(\$3,245)	\$127	(\$34,384)
State Totals	2,915,101	8,719,326	\$241,110,751	(\$2,454,527)	\$238,656,224	\$101,220,997	\$42,469,839	\$270,047,379	\$39,369,507	\$50,262,285	\$742,026,231

This information has been obtained from confidential company data and has been formatted to maintain its confidentiality.

SBC Universal Service Study
Total Office Annual Switched Operating Margin

Report 9
December 14, 1998

Texas	Residence			Business			Total
Wire Center	Total Universal Service Gross Margin	Contribution from Vertical Services, Toll, and Access	Total Universal Service Gross Margin	Total Universal Service Gross Margin	Contribution from Vertical Services, Toll, and Access	Total Business Operating Margin	Center's Operating Margin
	Report 4 : E	Report 4 : F + G + H + I + J	Report 4 : E	Report 8 : E	Report 8 : F + G + H + I + J	Report 8 : K	
	A	B	C	D	E	F	
<i>Houston - 1</i>	(\$3,469,244)	\$12,654,472	\$9,185,228	\$34,019,035	\$9,010,134	\$43,029,169	\$52,214,397
<i>Dallas - 1</i>	(\$3,045,561)	\$6,248,909	\$3,203,348	\$3,404,516	\$4,392,914	\$7,797,430	\$11,000,778
<i>Dallas - 2</i>	(\$3,155,892)	\$6,660,710	\$3,504,818	\$2,604,487	\$2,479,389	\$5,083,877	\$8,588,695
<i>Houston - 2</i>	(\$3,244,855)	\$2,428,860	(\$815,995)	\$1,307,117	\$246,901	\$1,554,018	\$738,024
<i>San Antonio - 1</i>	(\$6,728,226)	\$4,922,914	(\$1,805,311)	(\$756,519)	\$14,437,610	\$13,681,091	\$11,875,780
<i>Austin</i>	(\$12,704,701)	\$4,046,436	(\$8,658,265)	(\$1,287,438)	\$2,060,954	\$773,515	(\$7,884,750)
<i>Rural - 1</i>	(\$781,119)	\$215,537	(\$565,581)	(\$138,191)	\$48,565	(\$89,625)	(\$655,207)
<i>San Antonio - 2</i>	(\$1,966,211)	\$67,160	(\$1,899,051)	(\$94,050)	(\$1,056)	(\$95,107)	(\$1,994,157)
<i>Rural - 2</i>	(\$339,115)	(\$3,088)	(\$342,203)	(\$40,057)	(\$4,970)	(\$45,027)	(\$387,230)
<i>Rural - 3</i>	(\$235,218)	(\$10,539)	(\$245,757)	(\$31,058)	(\$3,326)	(\$34,384)	(\$280,141)
State Totals	(\$1,161,587,205)	\$962,592,162	(\$198,995,043)	\$238,656,224	\$503,370,007	\$742,026,231	\$543,031,188

This information has been obtained from confidential company data and has been formatted to maintain its confidentiality.

**SBC Universal Service Study
Texas Annual Summary**

*Report 10
December 14, 1998*

<i>Residence</i>						
<i>Total Universal Service Revenue</i>	<i>Total Universal Service Cost</i>	<i>Total Universal Service Gross Margin</i>	<i>Total Vertical Services, Toll and Access Revenue</i>	<i>Total Vertical Services, Toll and Access Cost</i>	<i>Total Contribution from Vertical Services, Toll, and Access</i>	<i>Total Residence Operating Margin</i>
<i>Report 2: Total A + B</i>	<i>Report 2: Total C + D</i>	<i>Report 4: Total E</i>	<i>Report 2: Total E + G + I + K + M</i>	<i>Report 2: Total F + H + J + L</i>	<i>Report 4: Total F + G + H + I + J</i>	<i>Report 4: Total K</i>
<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>
\$1,276,397,256	\$2,437,984,461	(\$1,161,587,205)	\$1,401,485,632	\$438,893,470	\$962,592,162	(\$198,995,043)

<i>Business</i>						
<i>Total Universal Service Revenue</i>	<i>Total Universal Service Cost</i>	<i>Total Universal Service Gross Margin</i>	<i>Total Vertical Services, Toll and Access Revenue</i>	<i>Total Vertical Services, Toll and Access Cost</i>	<i>Total Contribution from Vertical Services, Toll, and Access</i>	<i>Total Business Operating Margin</i>
<i>Report 6: Total A + B</i>	<i>Report 6: Total C + D</i>	<i>Report 8: Total E</i>	<i>Report 6: Total E + G + I + K + M</i>	<i>Report 6: Total F + H + J + L</i>	<i>Report 8: Total F + G + H + I + J</i>	<i>Report 8: Total K</i>
<i>H</i>	<i>I</i>	<i>J</i>	<i>K</i>	<i>L</i>	<i>M</i>	<i>N</i>
\$1,442,536,438	\$1,203,880,214	\$238,656,224	\$720,439,726	\$217,069,719	\$503,370,007	\$742,026,231

<i>Total</i>				
<i>Total Explicit Universal Service Funding</i>	<i>Miscellaneous Services, e.g., Directory, Cellular Interconnection, etc., Contributing to Universal Service</i>	<i>Total Switched Operating Revenues</i>	<i>Total Switched Operating Costs</i>	<i>Total Switched Margin</i>
		<i>A + D + H + K + O + P</i>	<i>B + E + I + L</i>	<i>Q + R</i>
<i>O</i>	<i>P</i>	<i>Q</i>	<i>R</i>	<i>S</i>
\$0	\$189,466,579	\$5,030,325,632	\$4,297,827,864	\$732,497,767

SBC Universal Service Study Texas Reconciliation

Line 1. TUEP * - Total Texas Operating Revenue	\$ 6,053,690,653
(TUEP, Schedule I, Line 13, Column c)	
a. Less exclusions	
Inter/Intrastate Special Access (Various Rev. Accts. From MR4a)	\$ 349,192,223
Inter/Intrastate Private Line (Various Rev. Accts. From MR4a)	\$ 92,620,449
Other Operating Revs (Accts. 5250, 5262, 5264.29W)	\$ 33,855,435
Non-Regulated (Acct. 5280)	\$ 483,390,067
Intrastate Access Expense net against Toll Revs. (Acct. 6540)	\$ 50,420,784
Rent Revenues included in Expenses (Acct. 5240)	\$ 13,628,045
SNFA & Miscellaneous (SACAS, Study Model)	\$ 20,715,862
Uncollectible for services not included in study	\$ (20,457,846)
b. TUEP - Total Texas Switched Operating Revenues	\$ 5,030,325,634
(Line 1 - Line 1a)	
c. Study - Total Texas Switched Revenues	\$ 5,030,325,632
(Report 10, Column P)	
d. Difference between TUEP & Study	\$ 2
(Line 1b - Line 1c)	
 Line 2. TUEP - Total Texas Operating Expenses	 \$ (4,581,661,075)
(TUEP, Schedule I, Line 24, Column c)	
a. Less exclusions	
Inter/Intrastate Special Access & Private Line (SACAS, Study Model)	\$ (418,940,730)
Non-Regulated & SNFA (SACAS)	\$ (475,660,477)
Other Income & Expense (Accts. 7110, 7150, 7160)	\$ 2,988,664
Intrastate Access Expense net against Toll Revs. (Acct. 6540)	\$ (50,420,784)
b. Plus inclusions	
Contributions (Acct. 7370.2)	\$ (9,276,376)
Rent Revenues included in Expenses (Acct. 5240)	\$ 13,628,045
c. TUEP - Total Texas Switched Operating Expenses	\$ (3,635,276,079)
(Line 2 - Line 2a + Line 2b)	
d. Study - Total Texas Switched Operating Costs	\$ (4,297,827,864)
(Report 10, Column Q)	
e. TUEP - Total Texas Switched Operating Taxes	\$ (662,552,184)
(Total Texas Switched Operating Tax Reconciliation @ Line 4d)	
f. Study - Total Texas Switched Operating Expenses	\$ (3,635,275,680)
(Line 2d - Line 2e)	
g. Difference between TUEP & Study **	\$ (399)
(Line 2c - Line 2f)	

SBC Universal Service Study Texas Reconciliation

Line 3. Texas Switched Net Income

a. TUEER ADJUSTED NET INCOME	\$	732,497,371
(Line 1b + Line 2c + Line 2e)		
b. STUDY NET INCOME	\$	732,497,768
(Line 1c + Line 2d)		
c. Difference between TUEER & Study ***	\$	(397)
(Line 3a - Line 3b)		

Line 4. Total Texas Switched Operating Tax Reconciliation

a. TUEER - Total Texas Operating Tax Expense	\$	(680,554,298)
(TUEER, Schedule I, Line 32, Column c)		
b. Less exclusions - Other Operating Taxes		
Inter/Intrastate Special Access & Private Line (SACAS, Study Model)	\$	(49,249,750)
Non-Regulated & SNFA (SACAS)	\$	(4,749,079)
c. Less exclusions - Federal Income Taxes		
Inter/Intrastate Special Access & Private Line (SACAS, Study Model)	\$	(49,159,965)
Non-Regulated & SNFA (SACAS)	\$	(16,197,129)
Booked Deferred FIT (Acct. 7250)	\$	101,353,809
d. TUEER - Total Texas Switched Operating Taxes	\$	(662,552,184)
(Line 4a - Line 4b - Line 4c)		

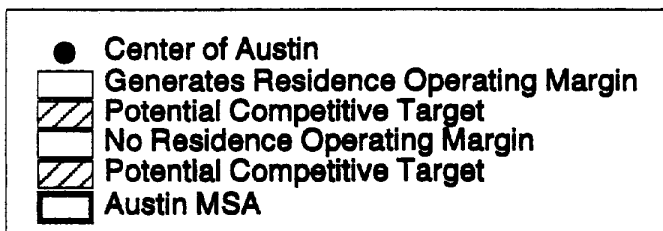
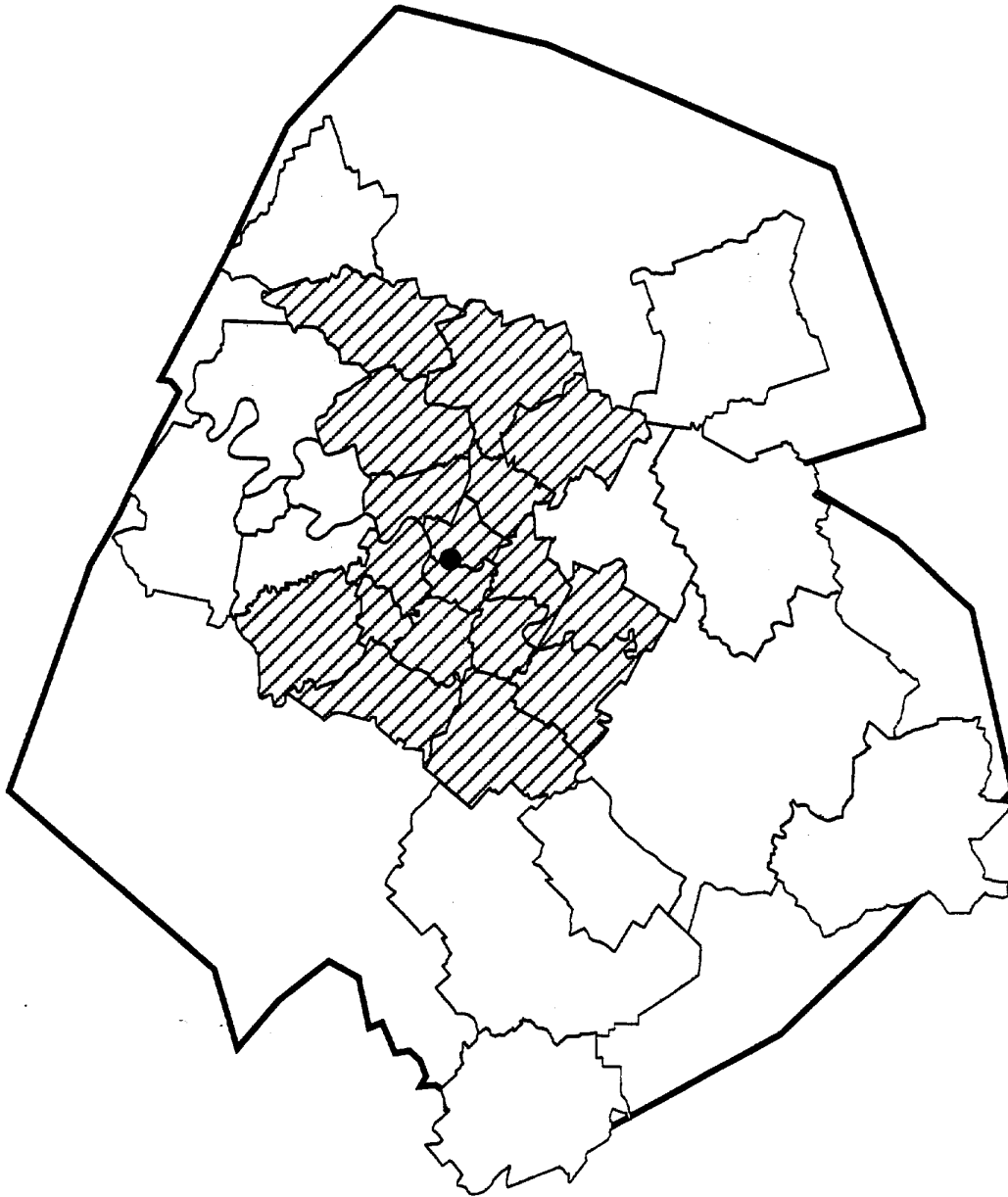
* TUEER = Telephone Utilities Earnings Report of Southwestern Bell Telephone Co. to the Public Utility Commission of Texas for the twelve months ending December 31, 1997

** Difference is due to operating cost rounding in the study model

*** Difference is attributable to differences identified @ Line 1d & Line 2g

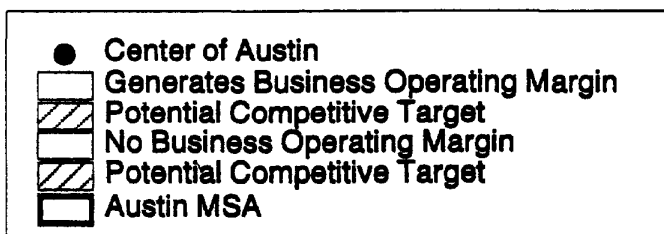
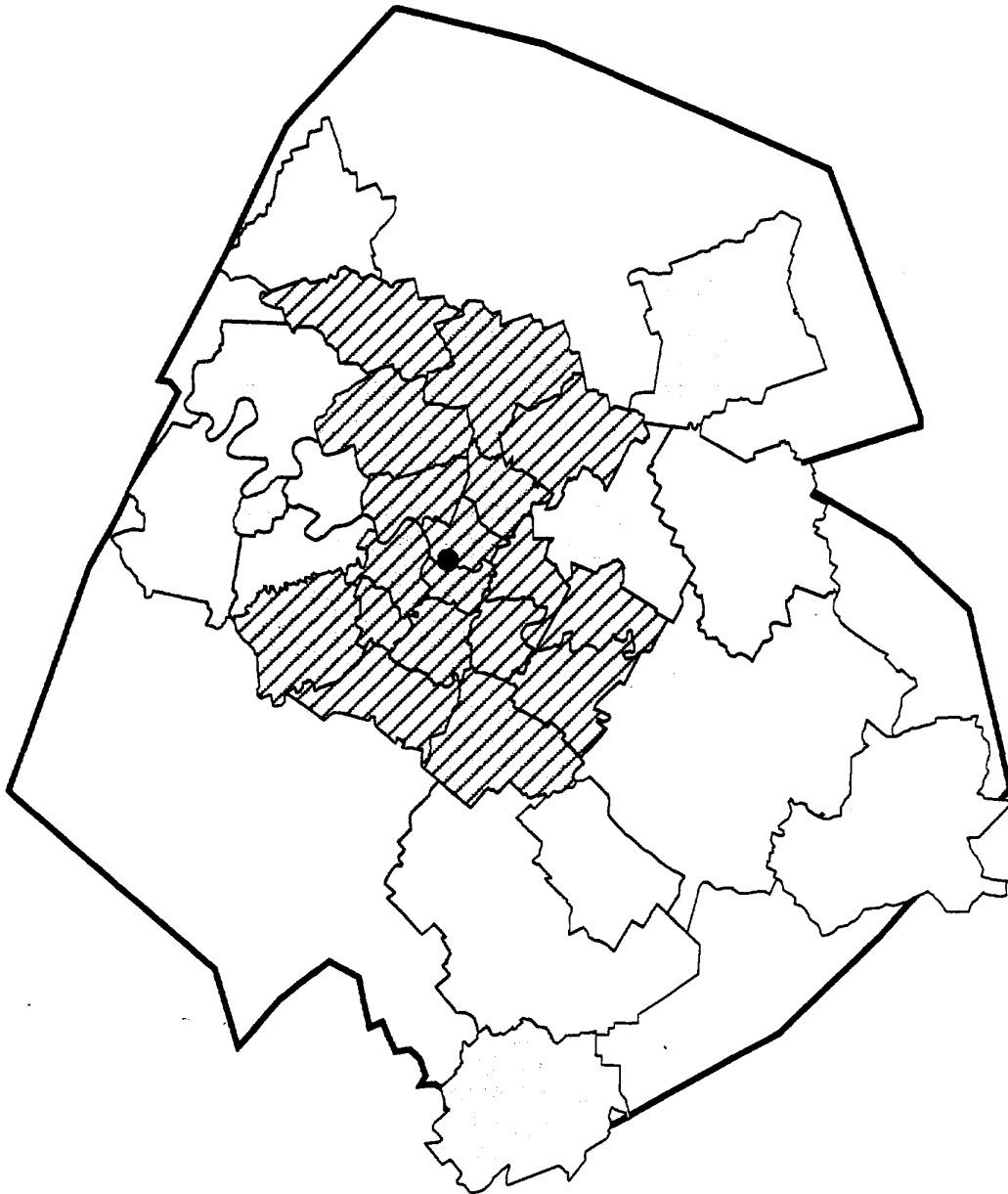
Residence Universal Service

Austin MSA - SWBT Wire Centers



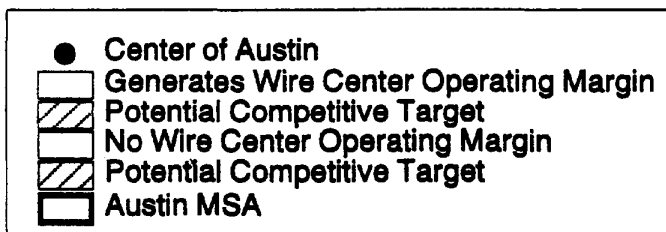
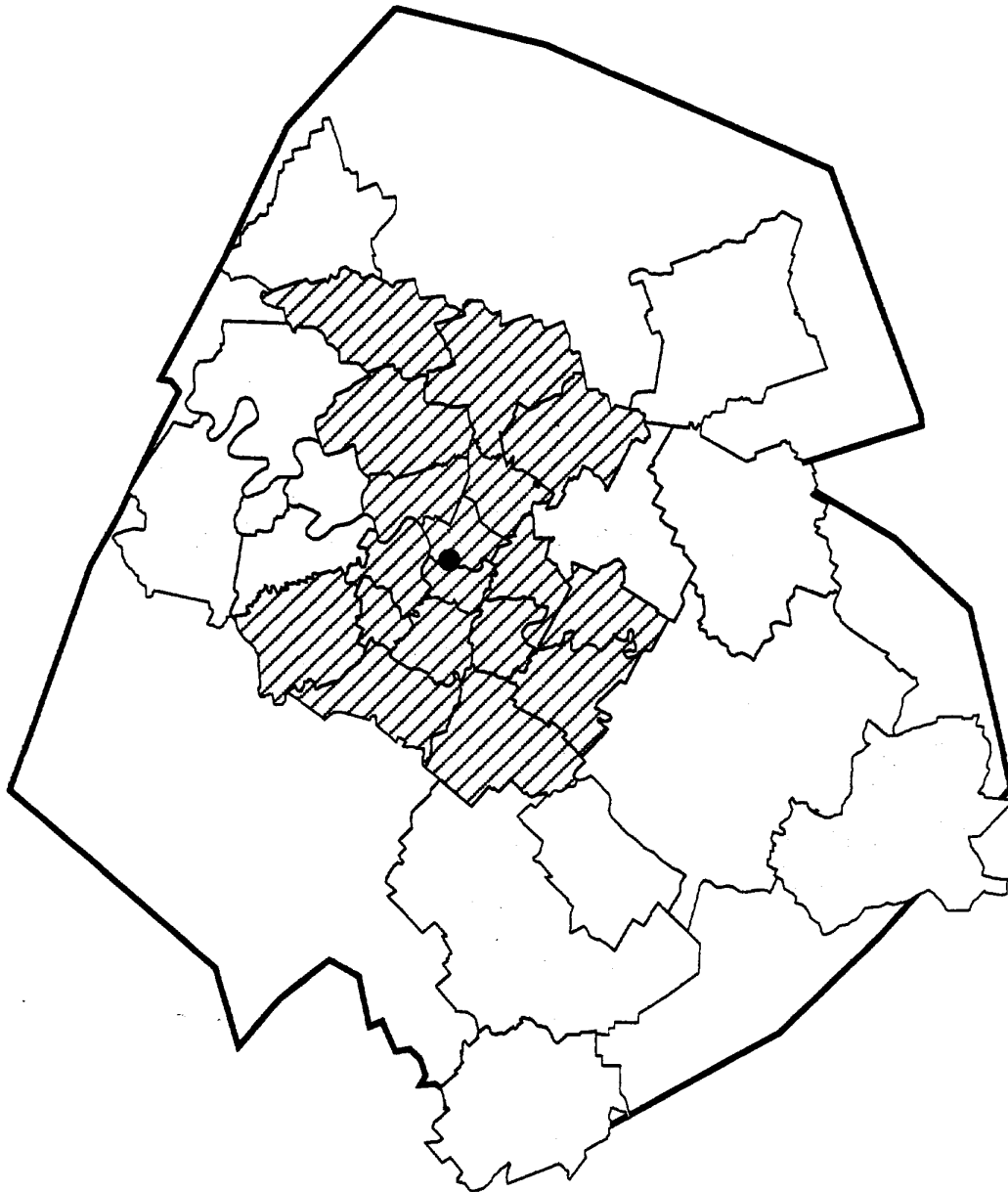
Business Universal Service

Austin MSA - SWBT Wire Centers



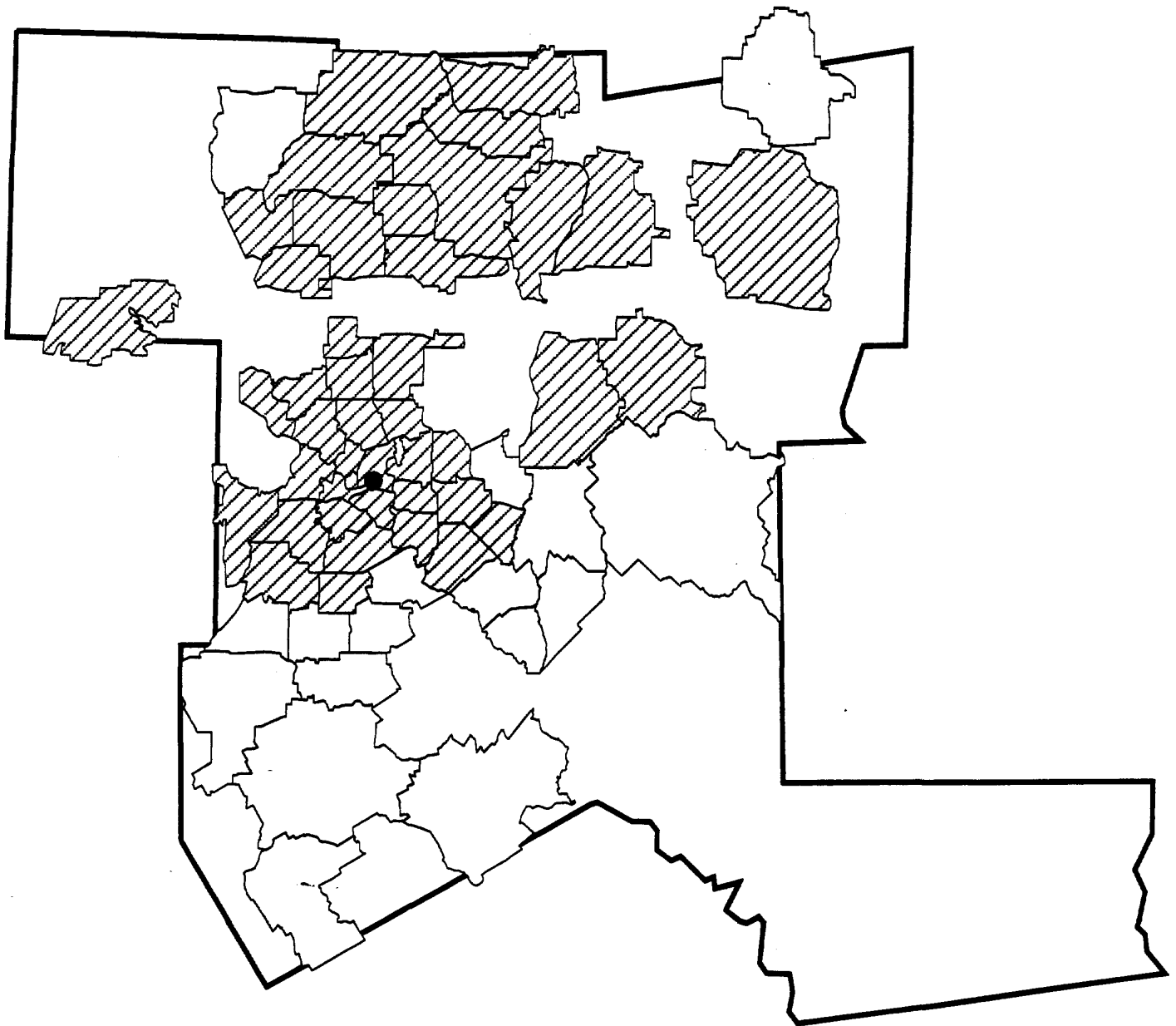
Residence & Business Universal Service

Austin MSA - SWBT Wire Centers



Residence Universal Service

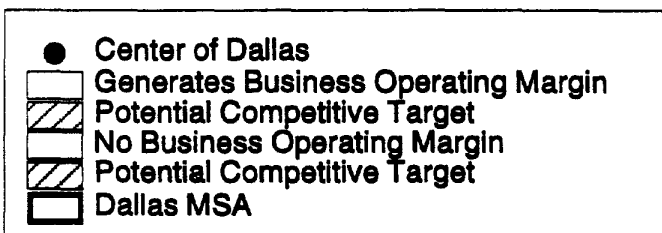
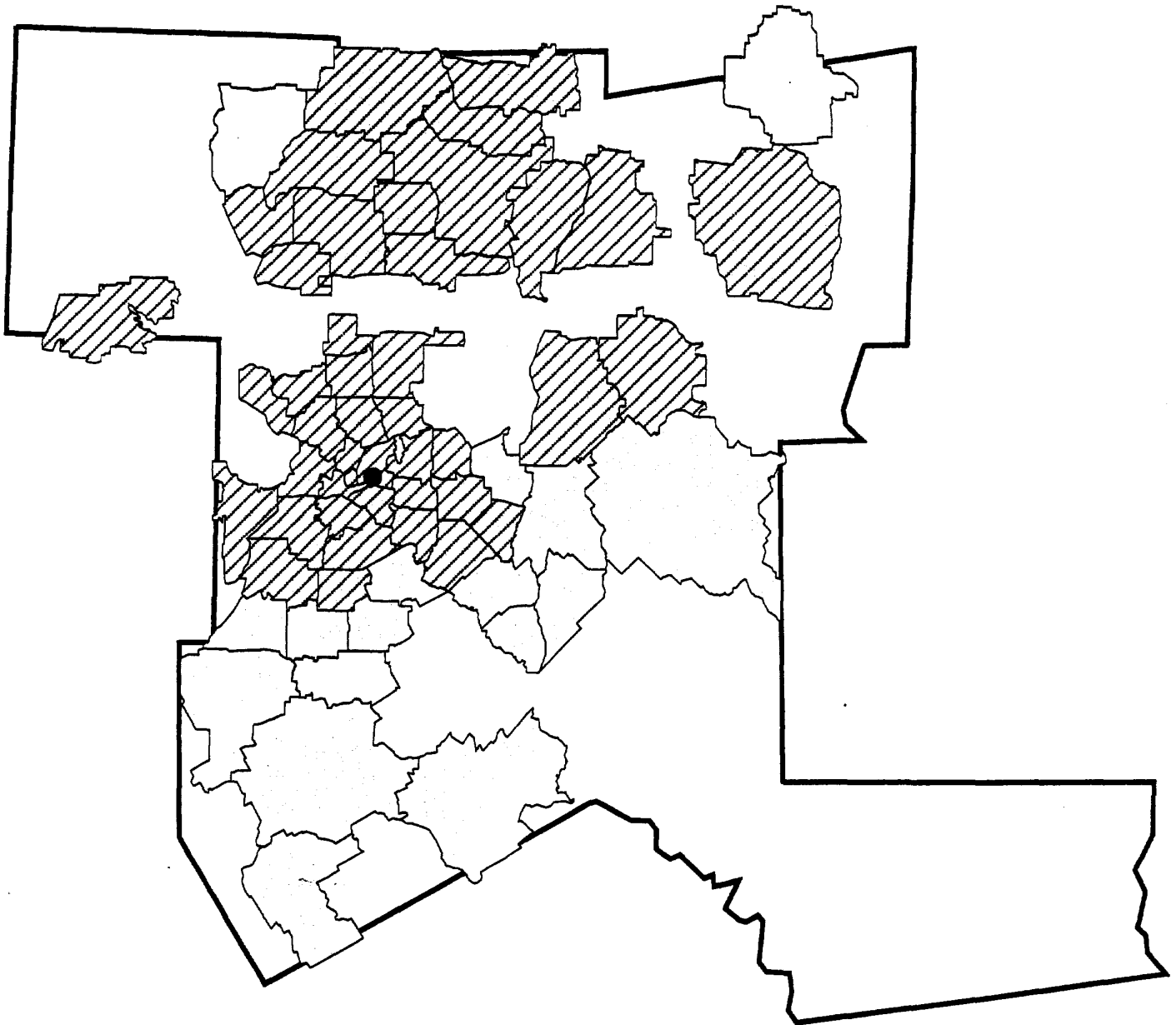
Dallas MSA - SWBT Wire Centers



- Center of Dallas
- Generates Residence Operating Margin
- ▨ Potential Competitive Target
- No Residence Operating Margin
- ▨ Potential Competitive Target
- Dallas MSA

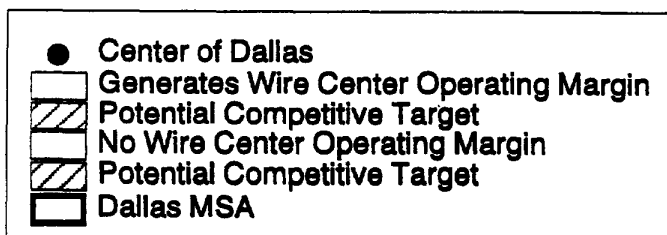
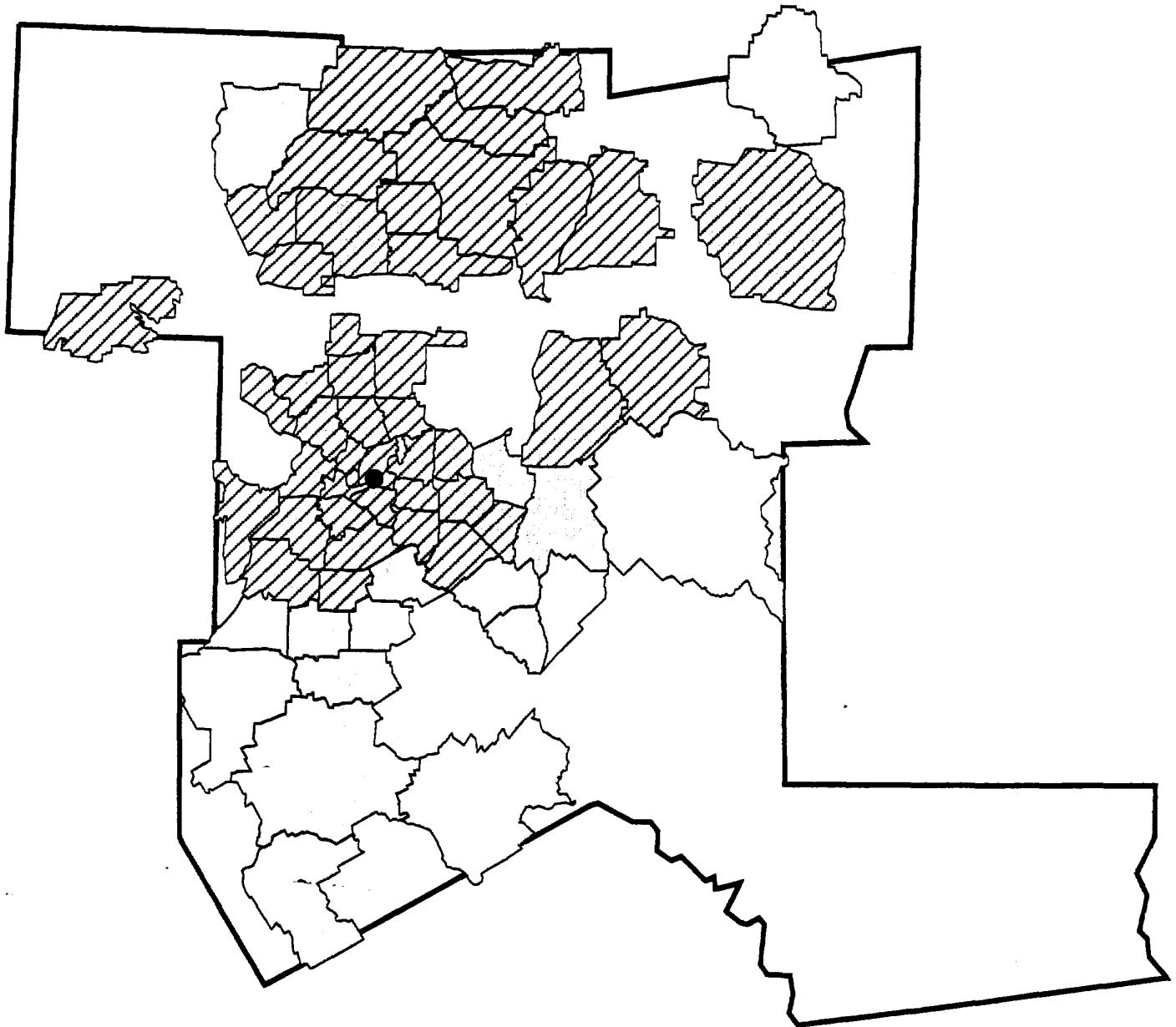
Business Universal Service

Dallas MSA - SWBT Wire Centers



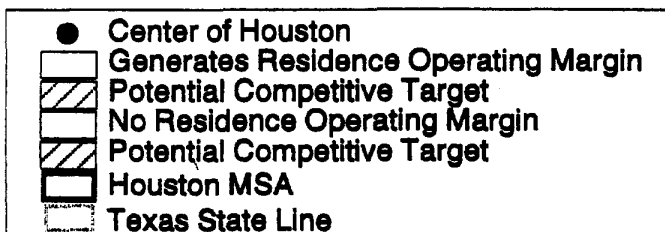
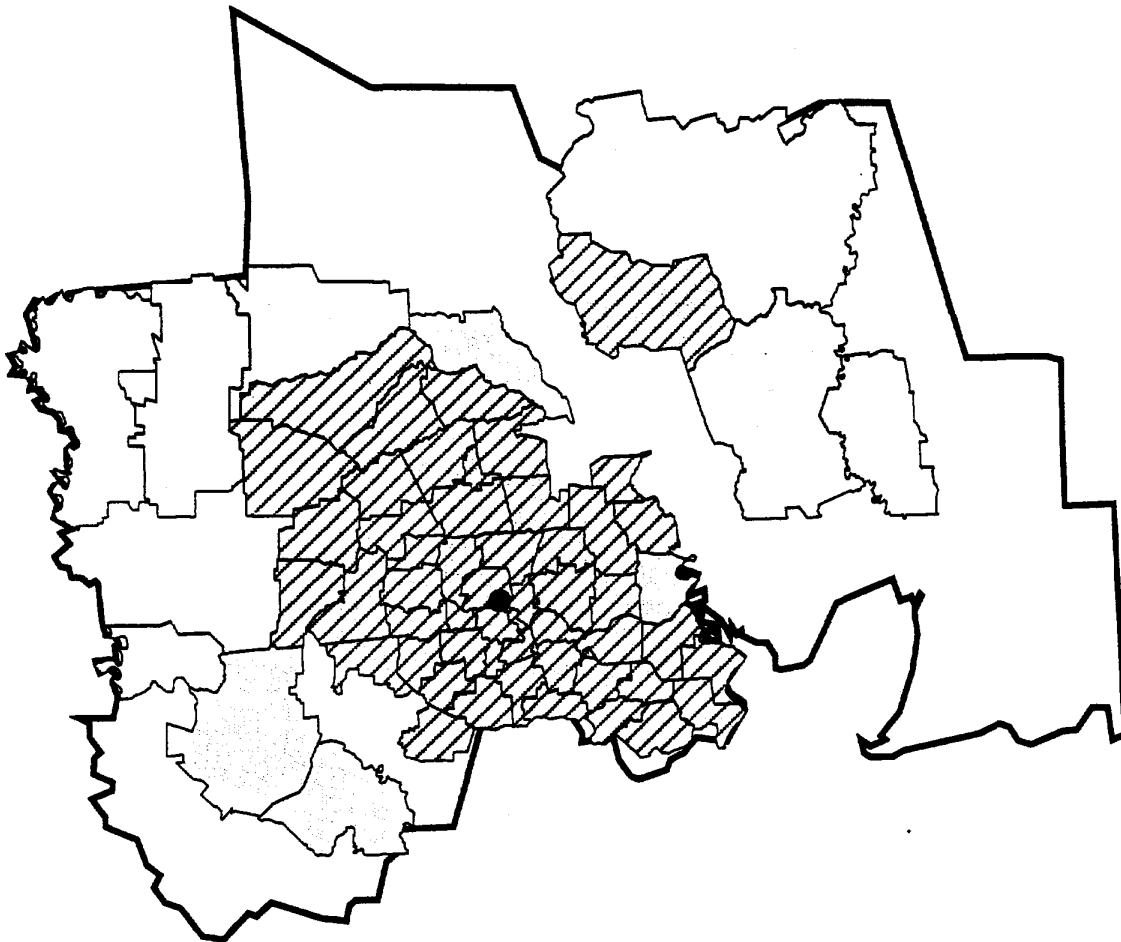
Residence & Business Universal Service

Dallas MSA - SWBT Wire Centers



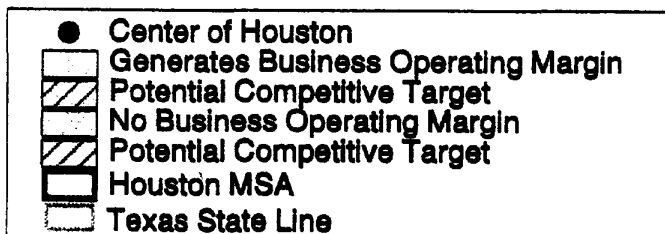
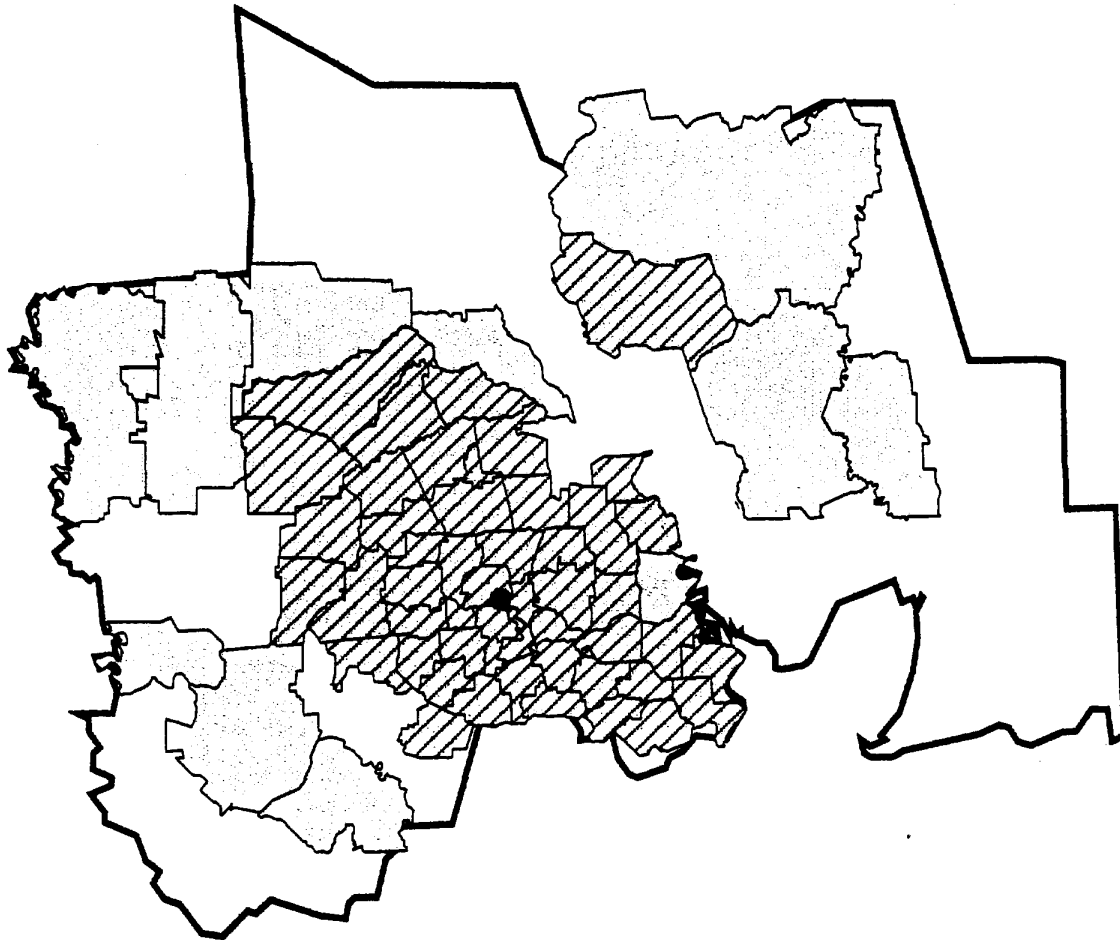
Residence Universal Service

Houston MSA - SWBT Wire Centers



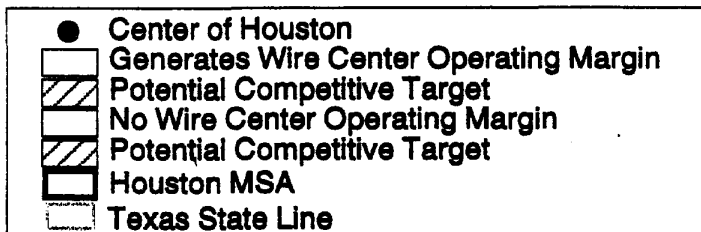
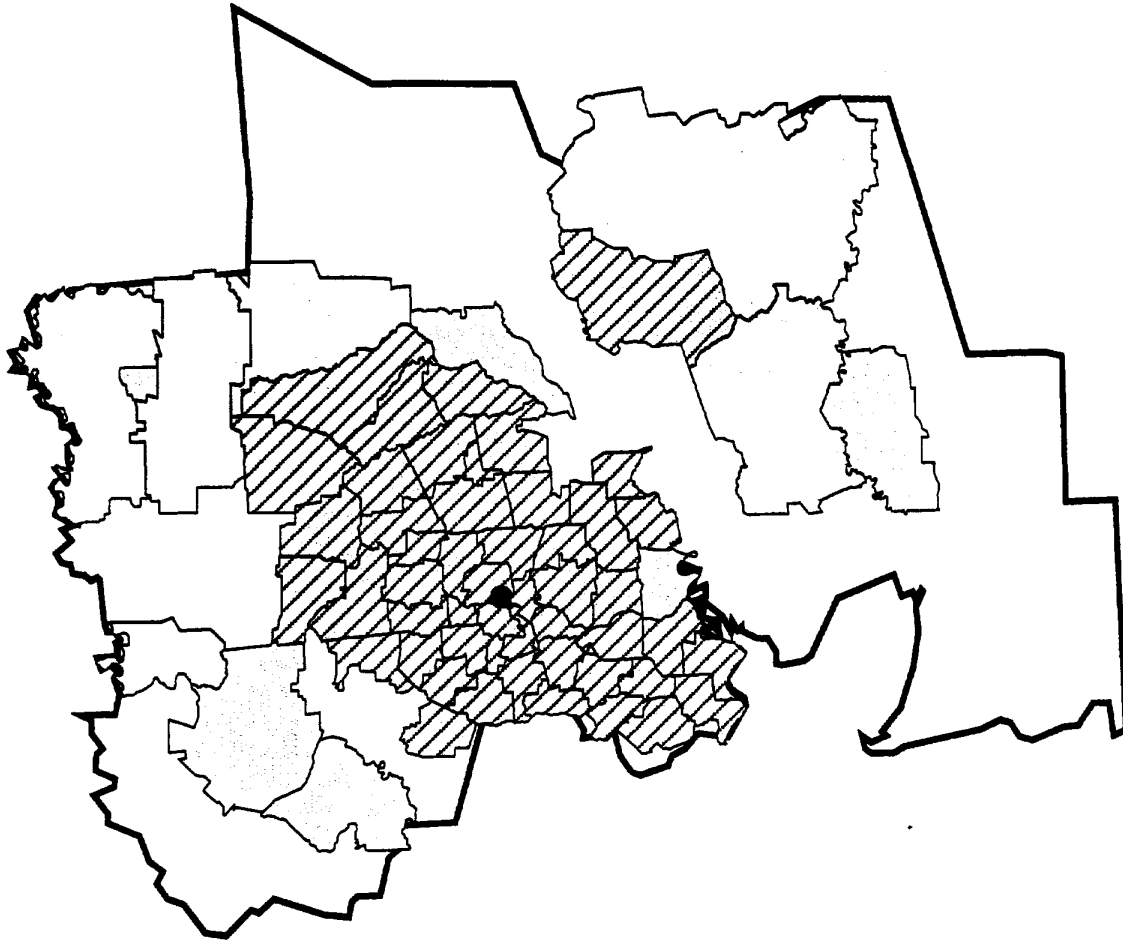
Business Universal Service

Houston MSA - SWBT Wire Centers



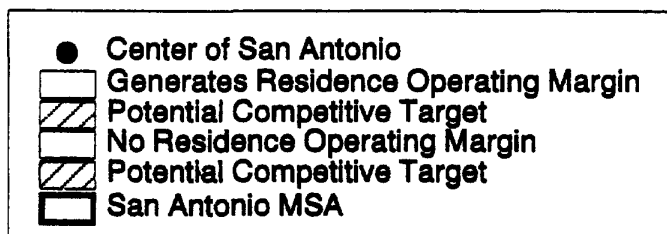
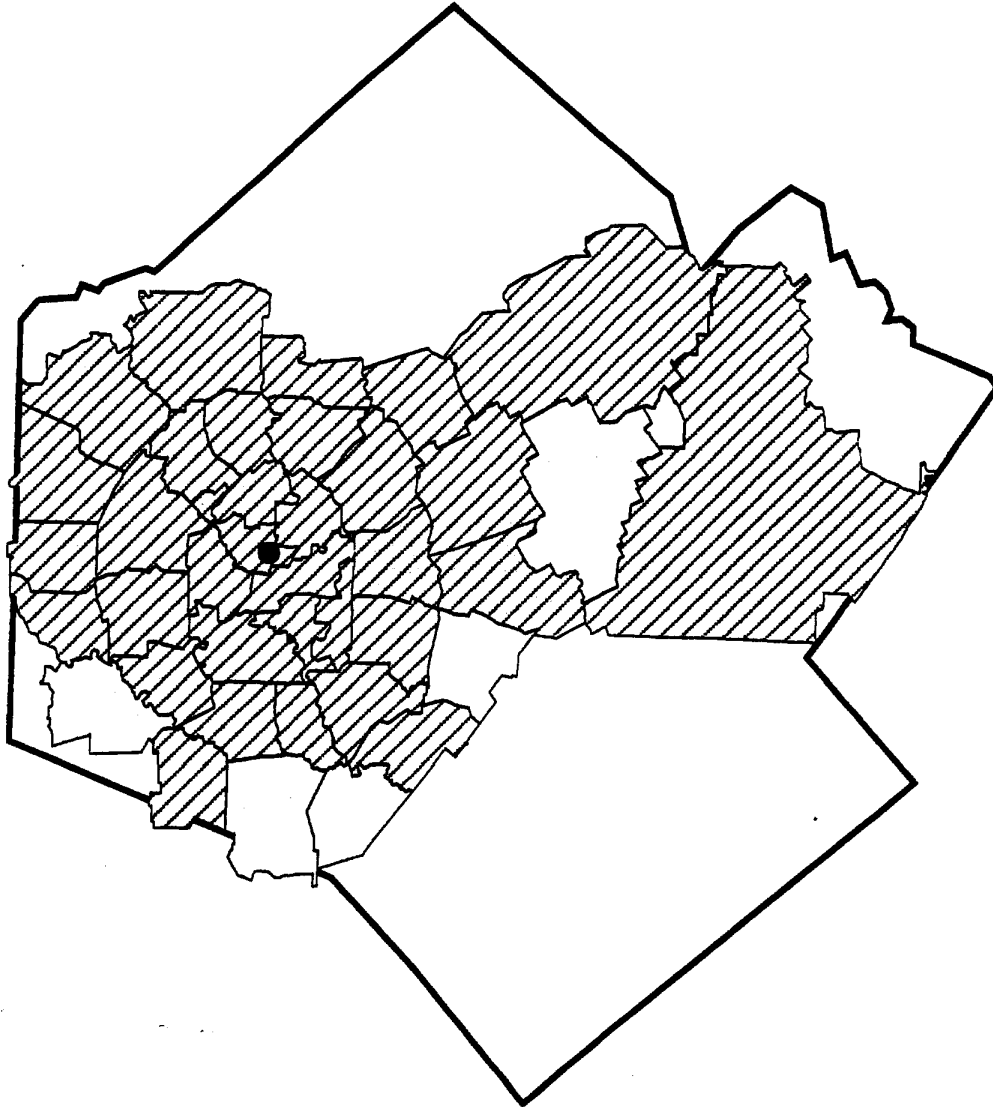
Residence & Business Universal Service

Houston MSA - SWBT Wire Centers



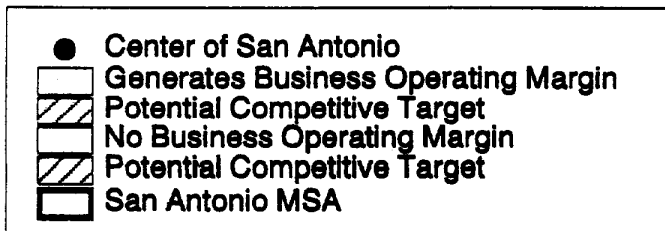
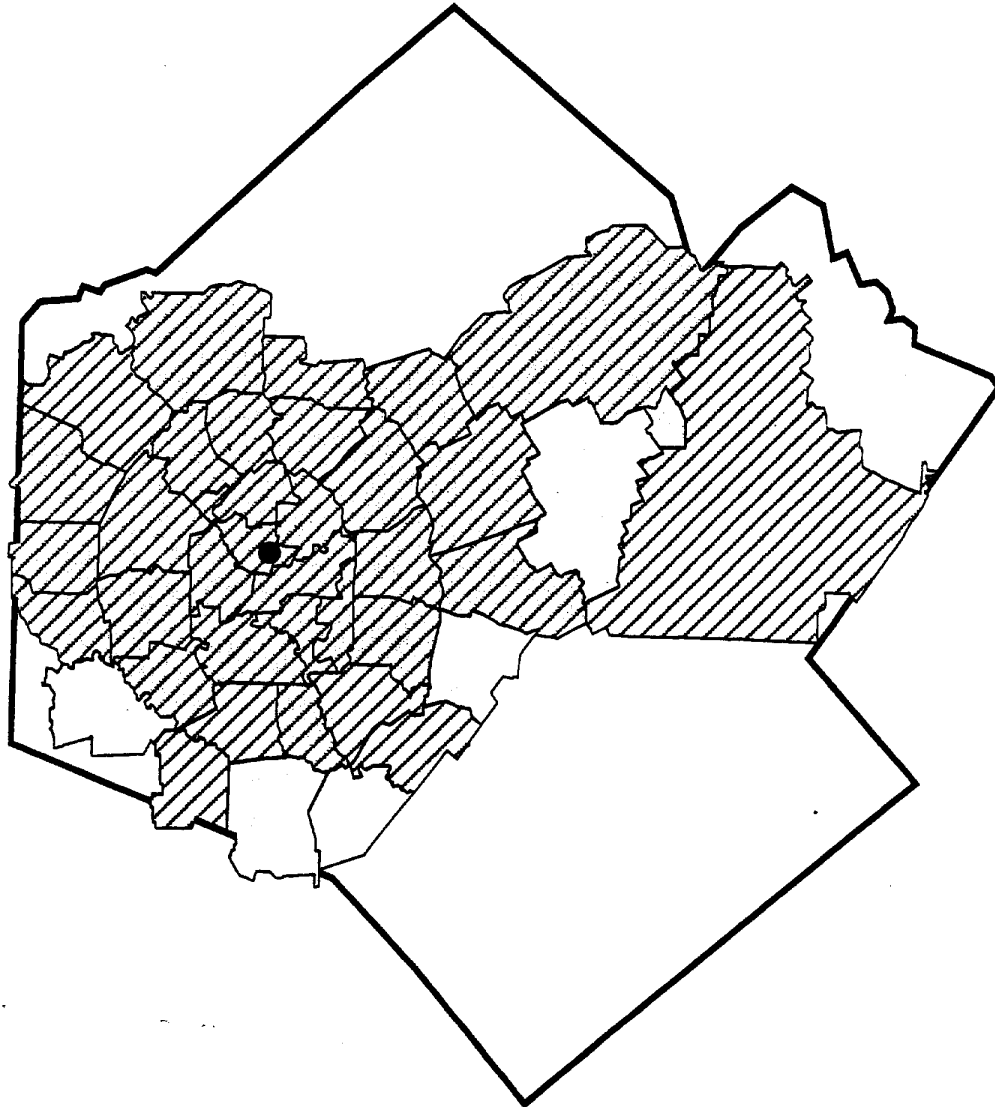
Residence Universal Service

San Antonio MSA - SWBT Wire Centers



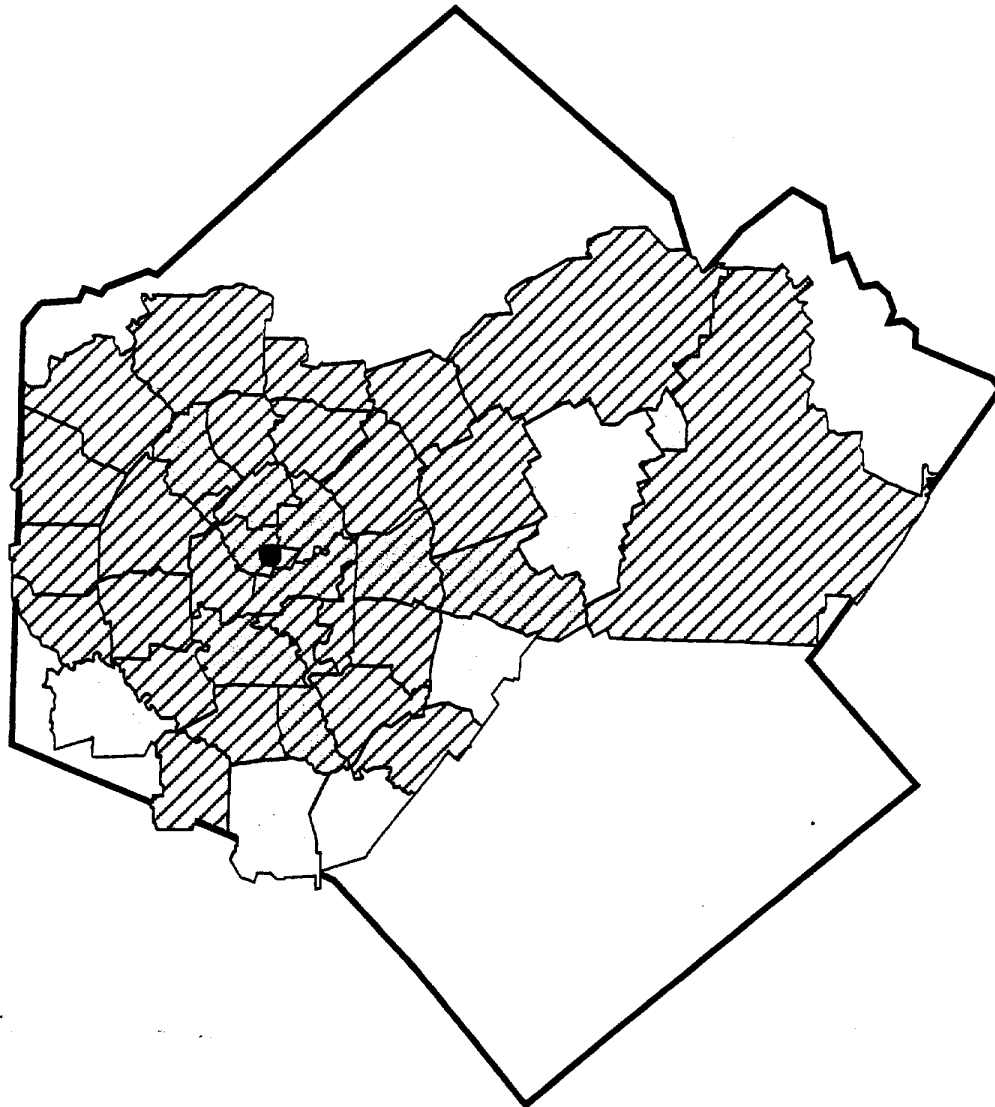
Business Universal Service

San Antonio MSA - SWBT Wire Centers



Residence & Business Universal Service

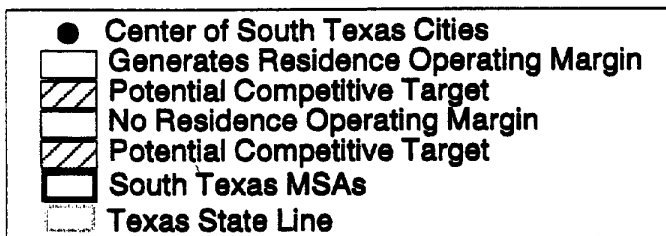
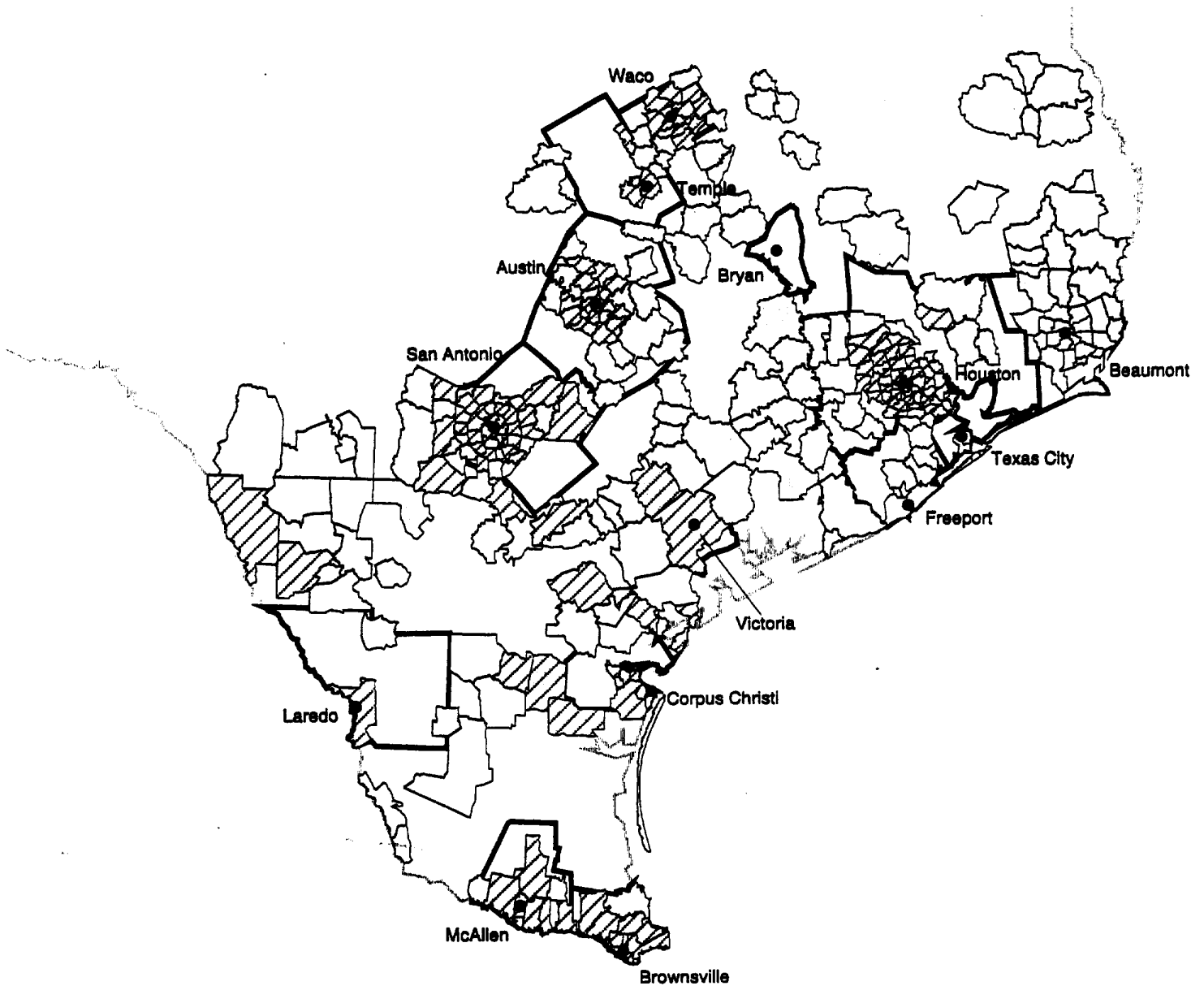
San Antonio MSA - SWBT Wire Centers



- Center of San Antonio
- Generates Wire Center Operating Margin
- Potential Competitive Target
- No Wire Center Operating Margin
- Potential Competitive Target
- San Antonio MSA

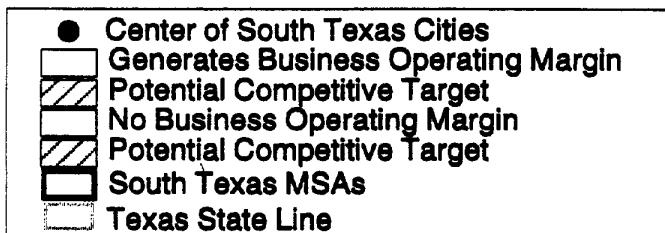
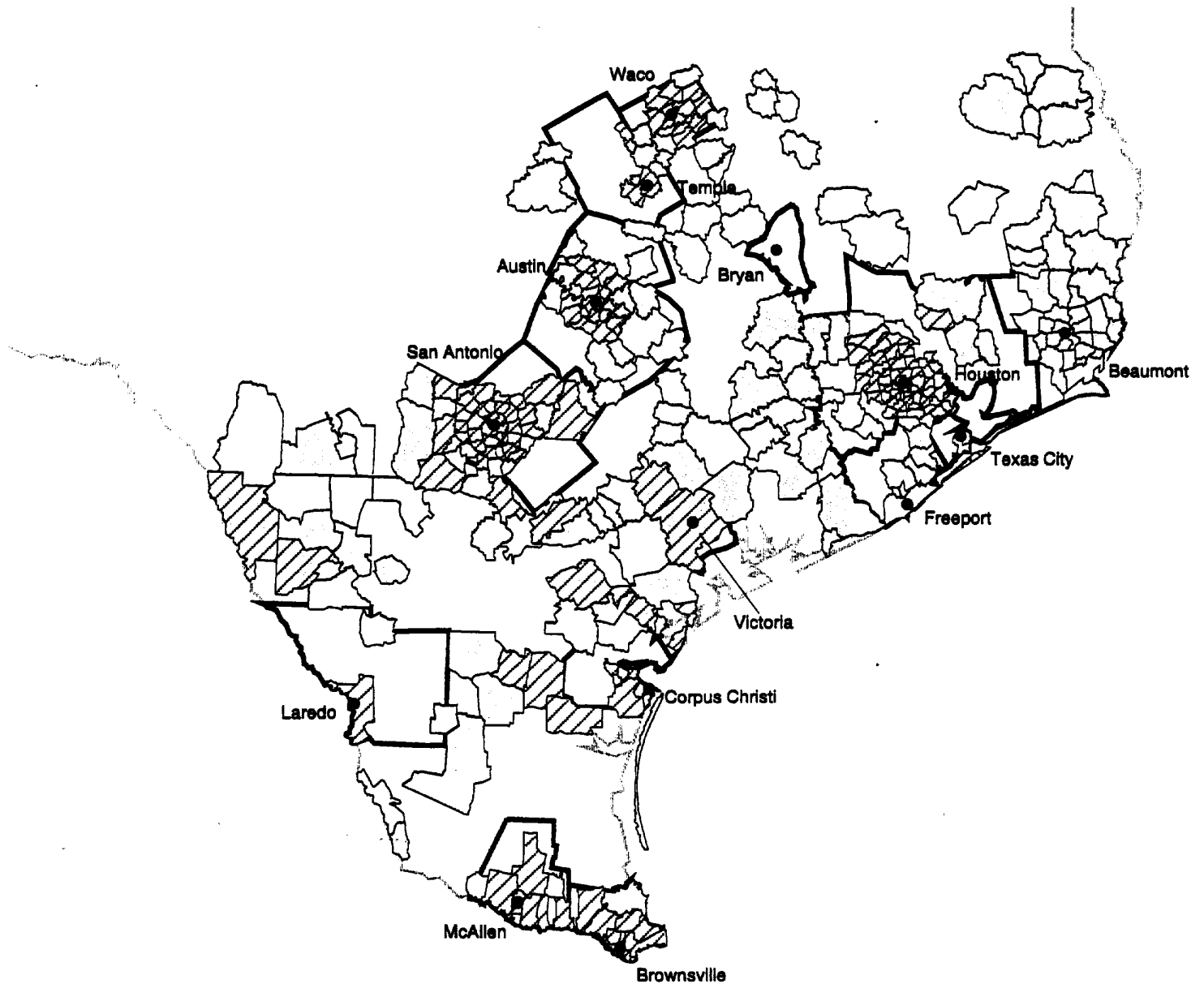
Residence Universal Service

South Texas MSAs - SWBT Wire Centers



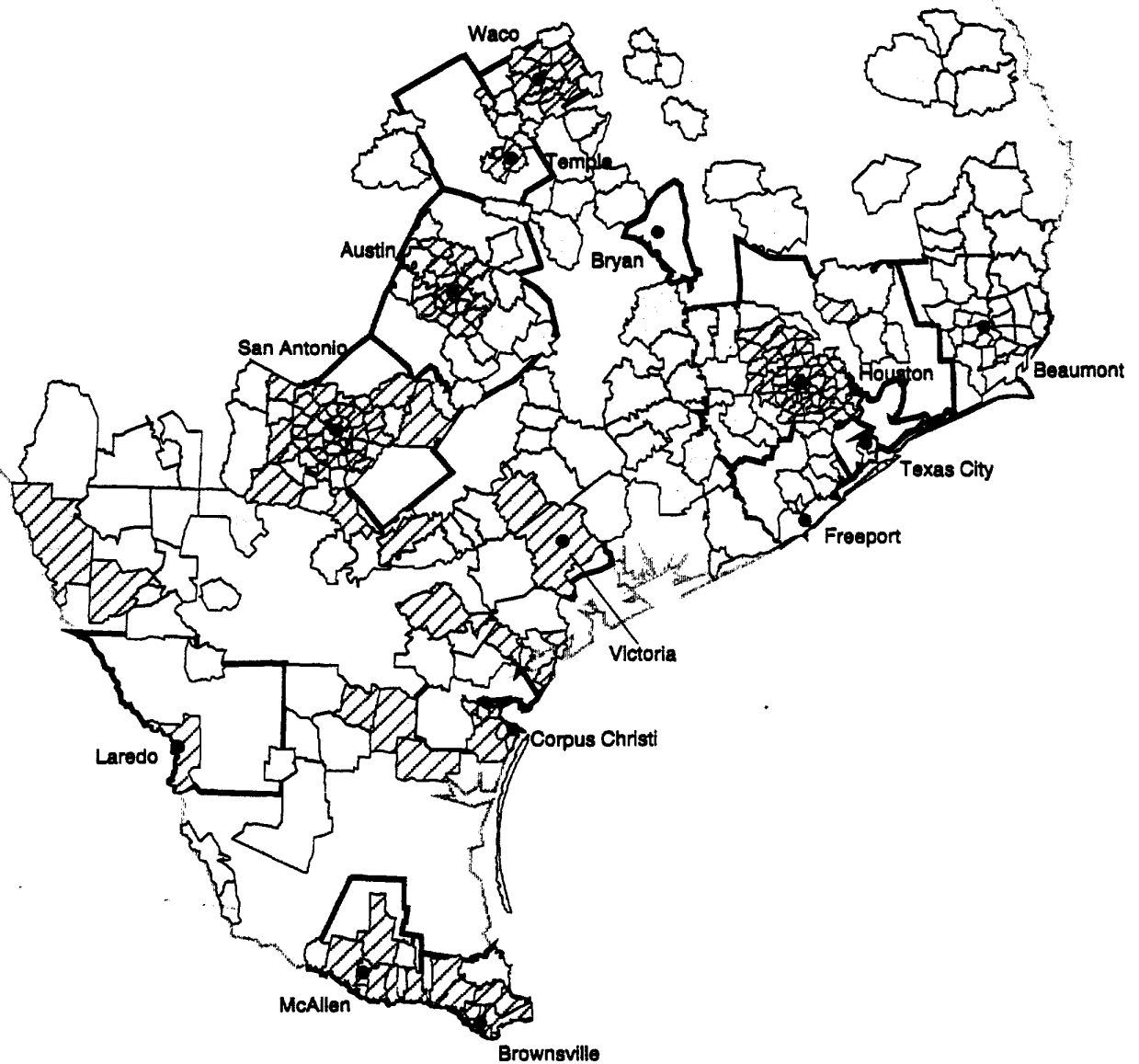
Business Universal Service

South Texas MSAs - SWBT Wire Centers



Residence & Business Universal Service

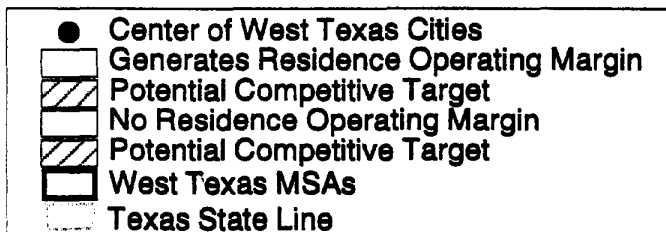
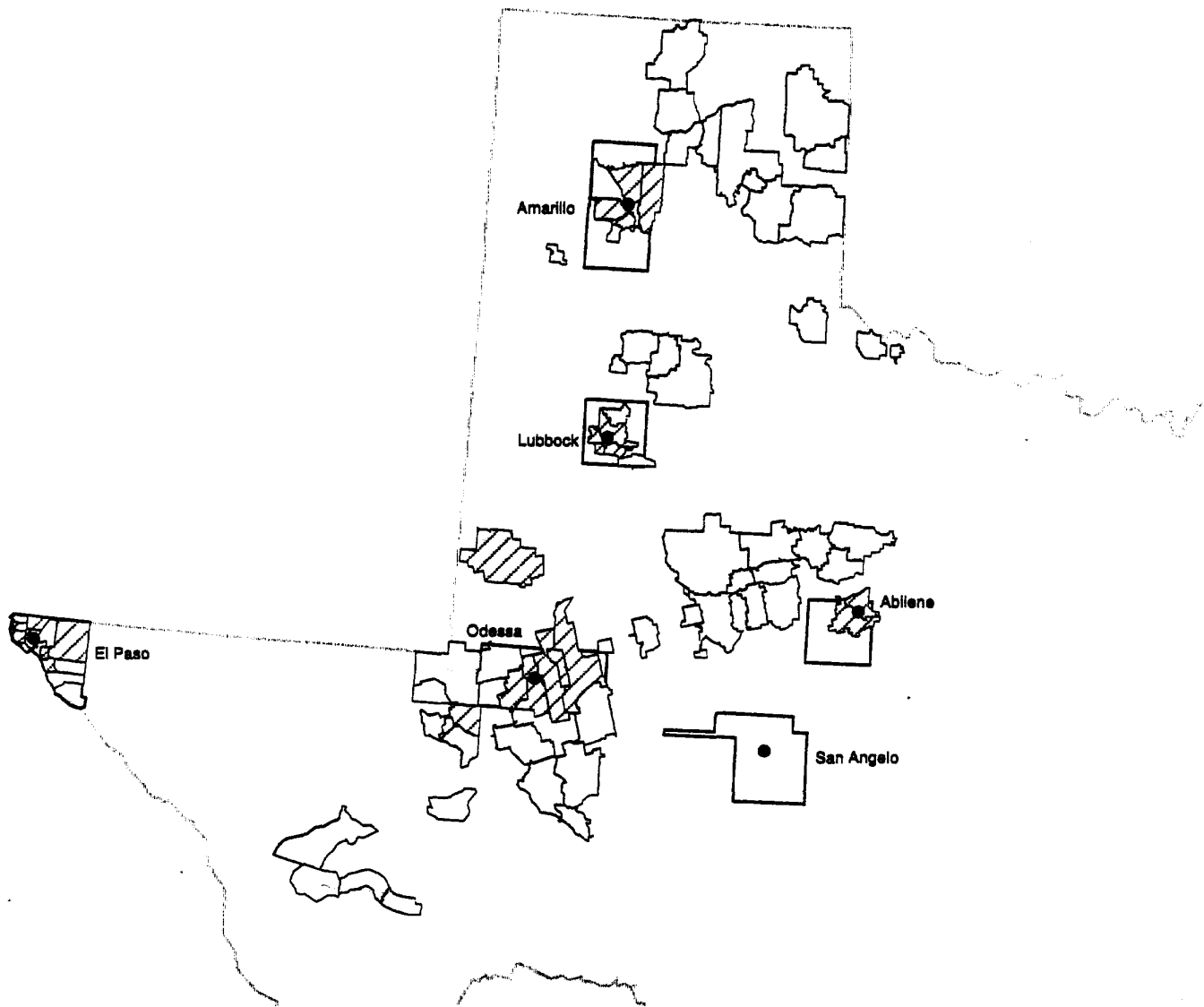
South Texas MSAs - SWBT Wire Centers



- Center of South Texas Cities
- Generates Wire Center Operating Margin
- Potential Competitive Target
- No Wire Center Operating Margin
- Potential Competitive Target
- South Texas MSAs
- Texas State Line

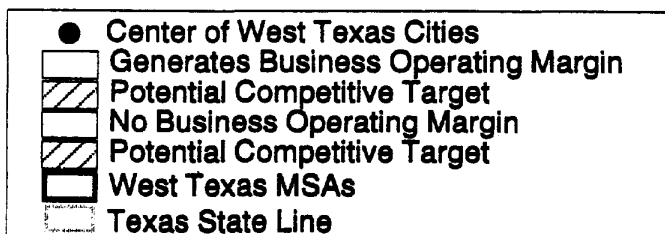
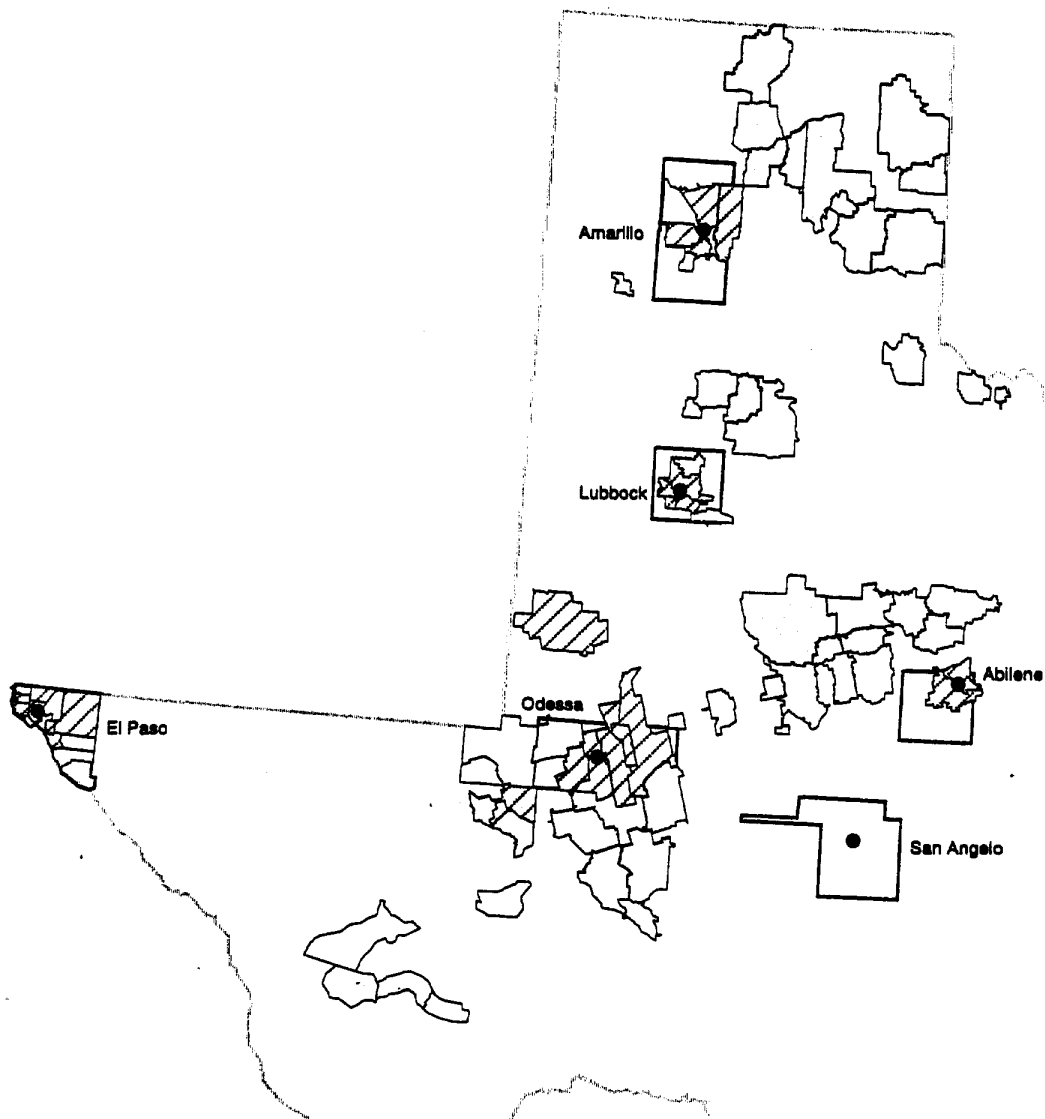
Residence Universal Service

West Texas MSAs - SWBT Wire Centers



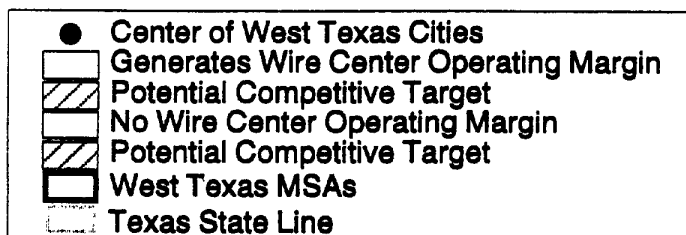
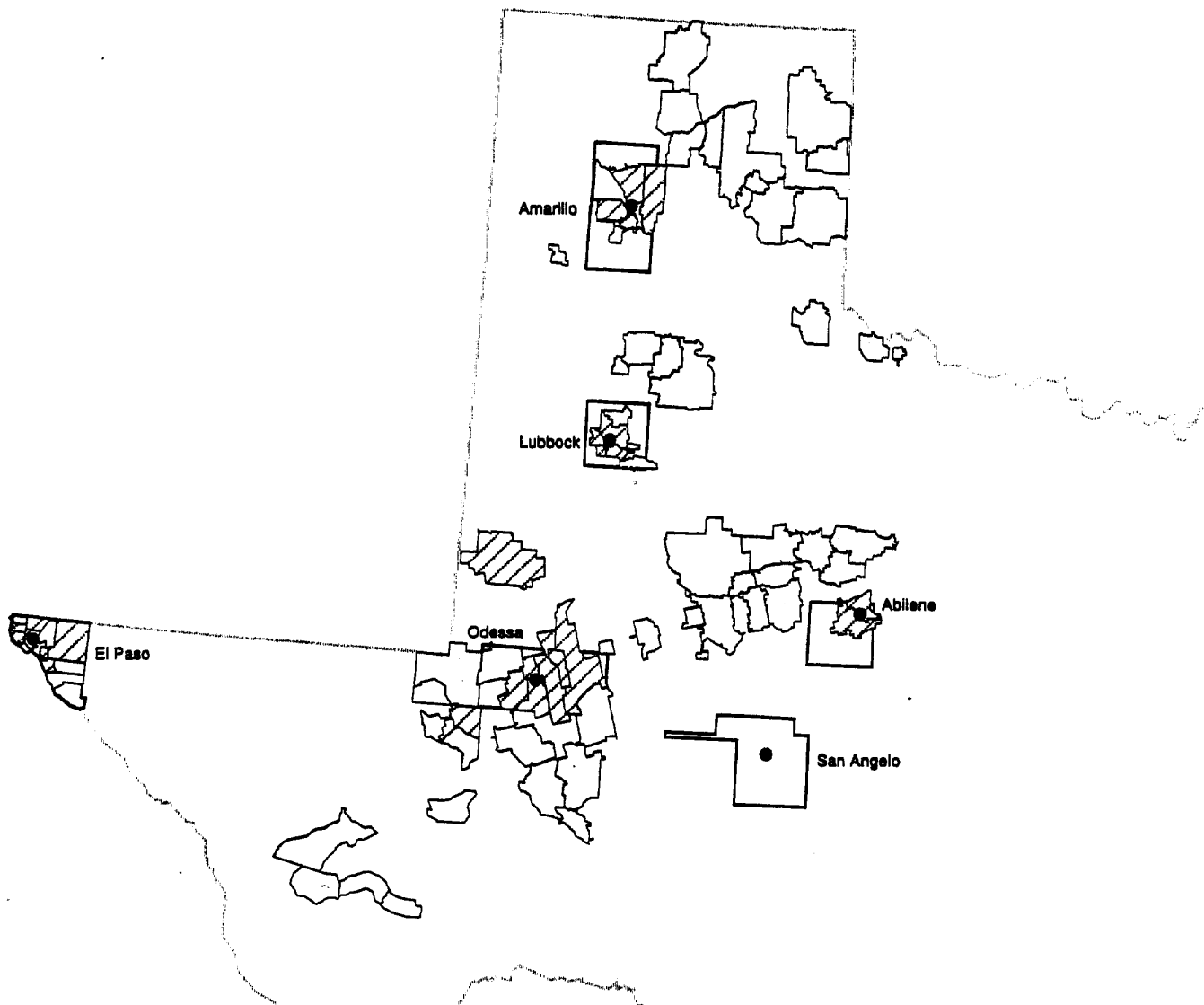
Business Universal Service

West Texas MSAs - SWBT Wire Centers

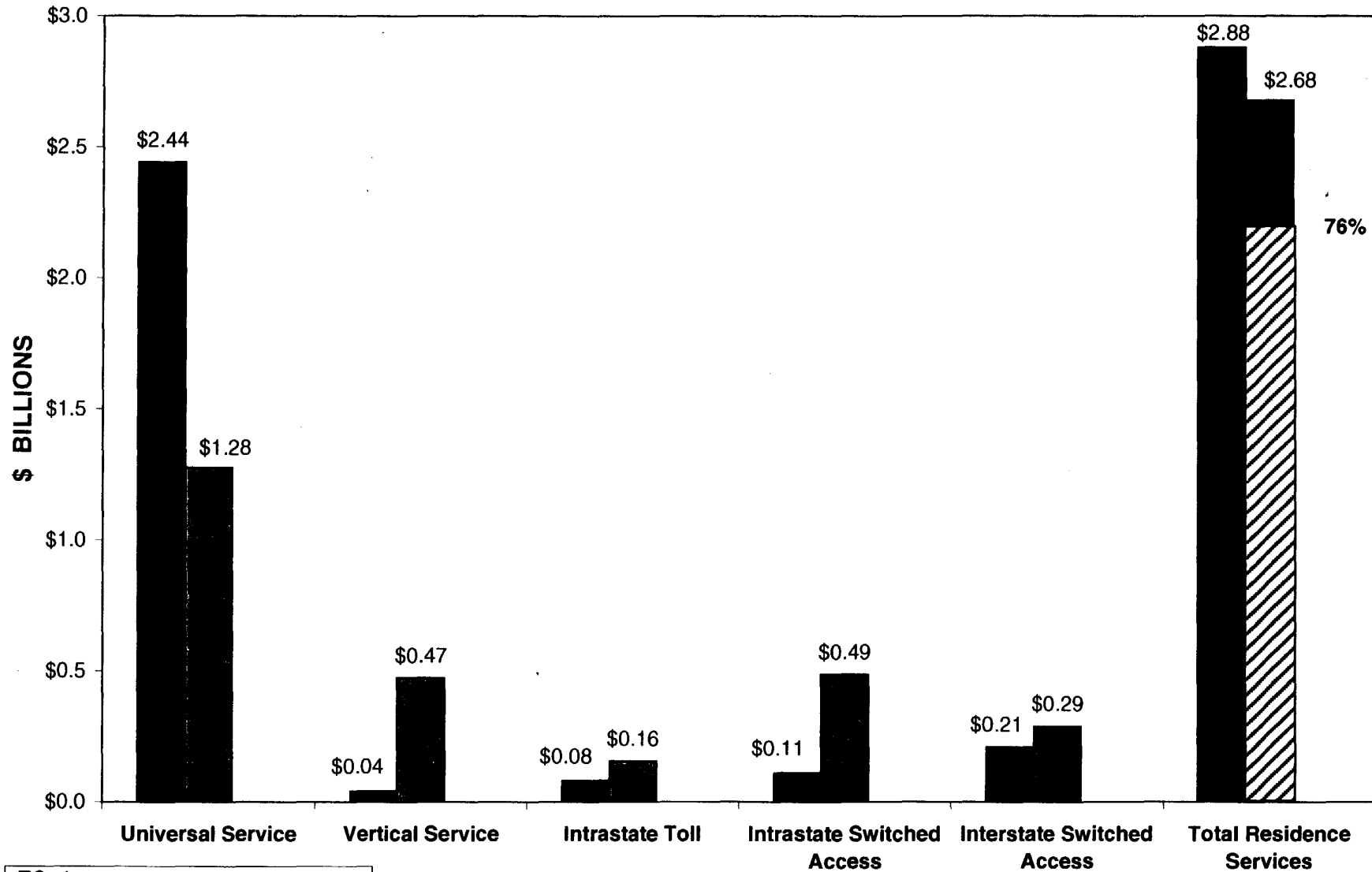


Residence & Business Universal Service

West Texas MSAs - SWBT Wire Centers



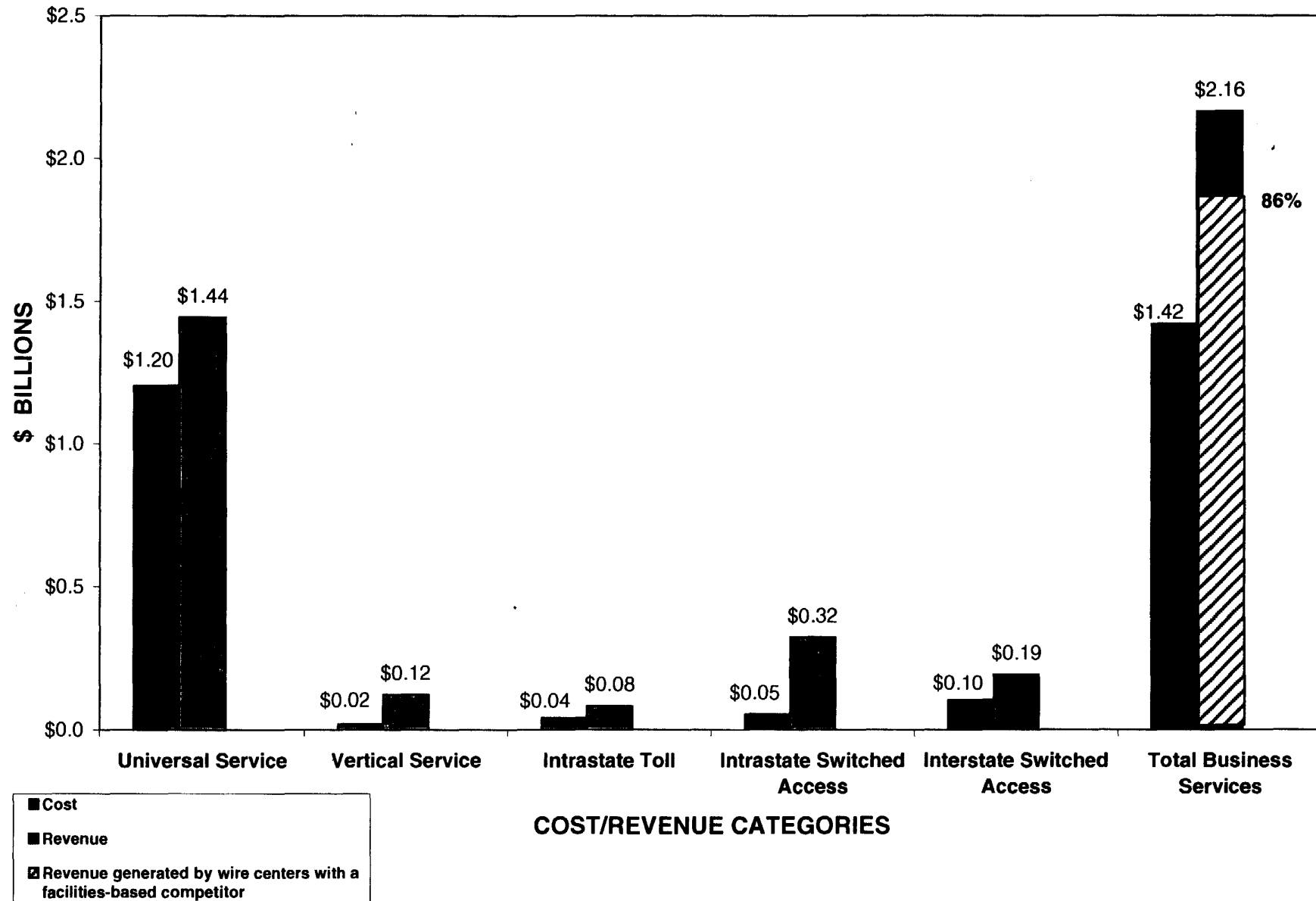
TEXAS RESIDENCE UNIVERSAL SERVICE COST/REVENUE ANALYSIS



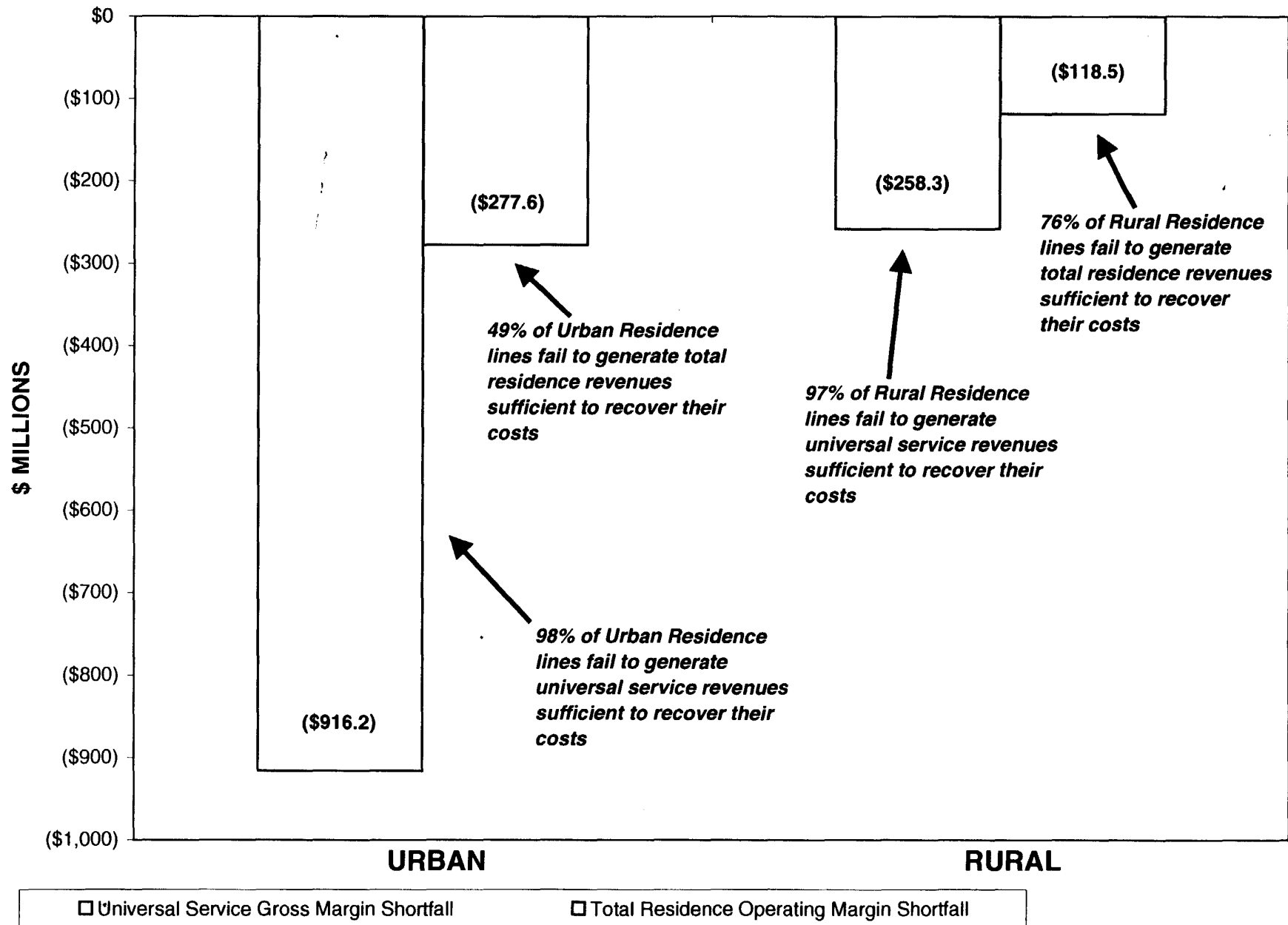
■ Cost
 ■ Revenue
 ▨ Revenue generated by wire centers with a facilities-based competitor

COST/REVENUE CATEGORIES

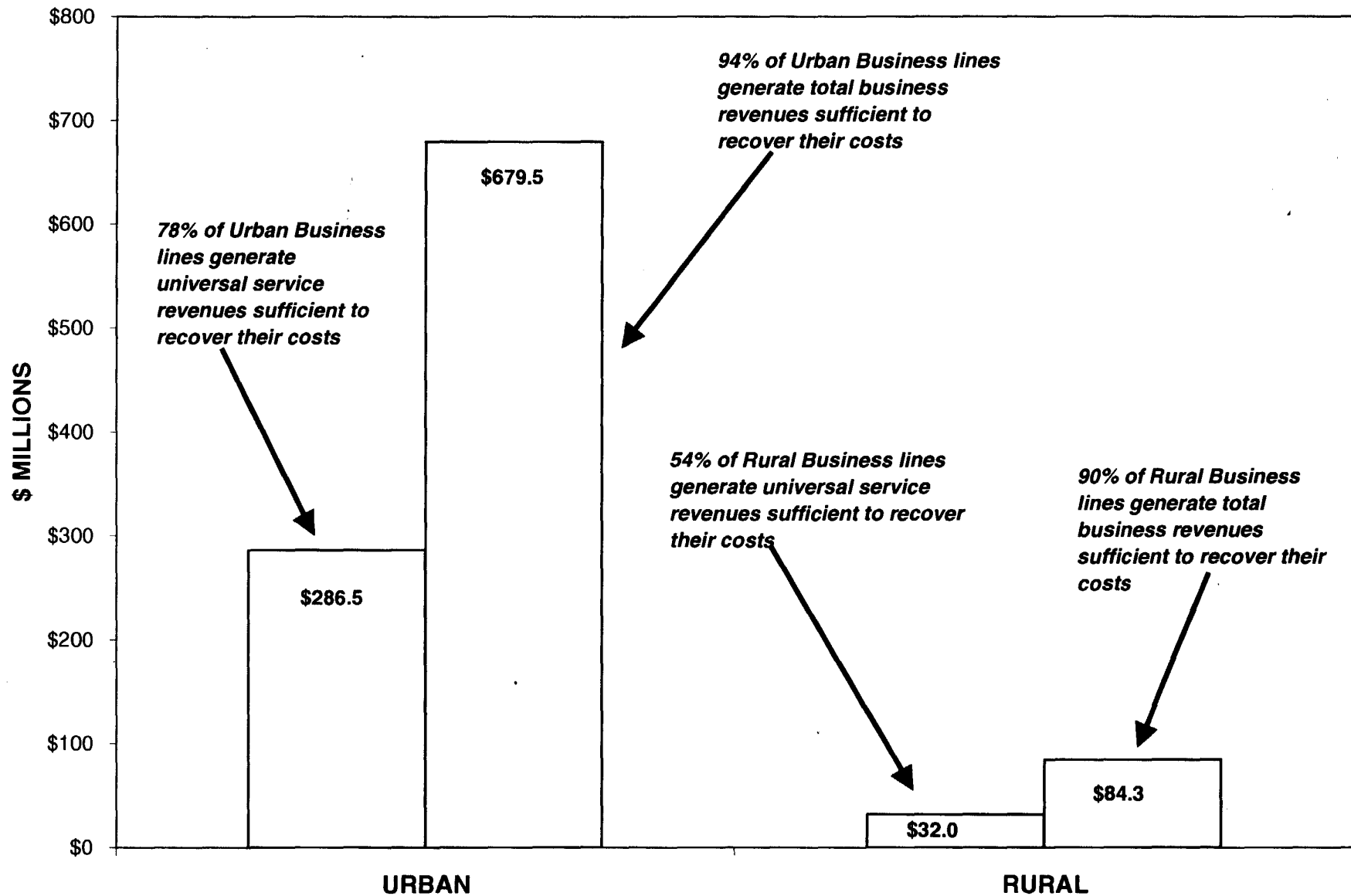
TEXAS BUSINESS UNIVERSAL SERVICE COST/REVENUE ANALYSIS



TEXAS UNIVERSAL SERVICE RESIDENCE



TEXAS UNIVERSAL SERVICE BUSINESS



□ Universal Service Gross Margin Surplus

□ Total Business Operating Margin Surplus